



Kingdom of the Netherlands



TRAIDE

Responsible Business Conduct Wages in Rwanda



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Introduction

Minimum wages and the implementation of laws and regulations on minimum wages are tools for governments to ensure that employers pay fair wages to their employees. In Rwanda, the minimum wage was officially set at 100 Rwandan Francs (RwF) per day in the Labour Laws of 1972 and 1973.¹ Although this standard is currently being evaluated by the Government of Rwanda (GoR), there has been no official change to the minimum wage since that time. This means that the legal minimum wage, which was equivalent to US\$1.09 in 1972/3, is currently equivalent to only US\$0.10. The Ministry of Public Service and Labour (MIFOTRA) organises quarterly Labour Force Surveys (LFSs) for which data is collected on employment and labour under-utilisation characteristics of the population.² This survey also indicates the average salaries and wages paid per sector and per occupation.

When the TRAIDE programme assessed the business practices of Dutch companies in Rwanda³, it seemed that there was little clarity on the topic of (minimum) wages. Companies indicated that they are trying to set the ‘right salaries and wages’ and aim to ‘improve their labour practices’, but that they lack guidance on how to do so, and what this means in practice. Moreover, companies specified that they are subject to Dutch or international societal expectations to invest in good labour practices and pay wages that are up to a certain standard, yet that there are no laws that force them to do so. Increasingly, requirements on good labour practices have become a condition for accessing financial support from governments, impact investors or foundations, and it is likely that such conditions will become stricter in the coming years. However, paying decent wages and investing in good labour practices incur additional costs, and for many (start-up) companies it is simply not feasible to increase salaries and wages all at once. The assessment by TRAIDE showed that the adoption and implementation of increasing salaries, wages and improving labour practices are topics of interest, but the uptake is slow. The question remains how Dutch-linked and local companies can be realistically motivated to take the first steps in improving salary and wage levels and labour practices in general.

This report aims to provide a starting point for discussing this question. It provides insight into the current state of salaries, wages and labour practices in Rwanda, and touches upon the experiences and ideas of individual companies and experts.* Based on literature and concrete examples from Dutch-linked and local companies in Rwanda, this report provides a set of ideas for companies that want to further engage in addressing the issue of salaries and wages and labour practices within their organisation.

BOX 1 – SALARIES VS. WAGES

In this report, we use the terms ‘salary’ and ‘wage’. We make a distinction between the two, because the suitability of using the term ‘salary’ or ‘wage’ differs on a case-by-case basis. The terms are defined as per Market Business News (2021):

“**Salaries** are calculated annually, divided by twelve and paid out each month. A salary does not change on a weekly or monthly basis. Salaries are usually determined by comparing what other people in similar positions are paid in the same region and industry.”

This terminology is used when employees in case studies are paid according to the salary calculation.

“**Wages** are calculated on the number of hours worked that week, fortnight or month. Employers pay wages either weekly, fortnightly or monthly, and are linked to how many hours the employee worked.”

This terminology is used when minimum and living wages are discussed and when employees in case studies are paid according to the wage calculation.

* For this report, the TRAIDE team conducted six in-depth interviews with Dutch and local companies in Rwanda to create a sufficient understanding of the salaries, wages and labour practices provided by individual companies. Please refer to Annex 3 for the full methodology used for this report.

DEFINITIONS OF MINIMUM WAGE, LIVING WAGE AND LABOUR PRACTICES

Throughout the report, there are references to minimum wages, living wages and labour practices. A **minimum wage** is defined 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’.⁴ It is the absolute minimum that an employer must pay for the work an employee delivers per day, week or month. A **living wage** is defined as ‘the remuneration received for a standard work week by a worker in a particular place [that is] sufficient to afford a decent standard of living for the worker and her or his family’.⁵ It takes elements of a decent standard of living into account, such as access to food, water, housing, education, and other essential needs.

Based on these definitions, the main difference between the two is that the minimum wage is focused on what an employee’s effort at work is worth, whereas a living wage relates to what an employee can do with the earned wage, e.g., whether it allows the earner to live a decent life. Even though the purpose of a minimum wage is to offer a living wage, in practice this is not always the case.

When using the term **labour practices**, we refer to topics related to the remuneration of labour, but excluding gross salaries and wages. For example, it concerns extra bonuses, annual wage increases or other additional benefits that can increase job satisfaction, such as transport allowances and free lunch at work.

Status quo of wages in Rwanda

In order to start a discussion on wages within companies, or for companies to start working on improving labour practices, it is important to have a better understanding of the topic and of the status quo of wages and labour practices in Rwanda. First, we touch upon legal minimum wages, followed by an overview of the average monthly incomes in different sectors. Second, we review compulsory benefits that employers are required to provide employees on top of their salaries. Third, we provide an overview of living wages in Rwanda.

MINIMUM WAGES

The Rwandan Labour Laws of 1972 and 1973 set the minimum wage at 100 RwF (at that time US\$1.09; current day US\$0.10) per day.⁶ Rwandan law has not officially altered the minimum wage since then. Progress was made in 2018 when members of the Lower Chamber of Parliament enacted a new labour law. This labour law mandates MIFOTRA to set up a minimum wage through a ministerial order. An updated minimum wage has not (yet) been released but is expected to be set around US\$60.60 (60,000 RwF) per month, or US\$3.03 (3,000 RwF) per day.⁷ In comparison to the wages paid by the six companies reviewed in this study, this is a relatively low minimum. On average, the companies that were interviewed for this study pay a minimum of US\$171.6 (170,000 RwF) per month, or US\$8.60 (8,500 RwF) per day. The companies that are the focus of the case studies in this report offer minimum salaries and wages that range from US\$62 to US\$398 per month.

As noted above, minimum wages offer the minimum compensation for employees. However, the minimum wage has not been updated for nearly 50 years in Rwanda, which indicates that the current minimum wage is insufficient for employees to fulfil their basic needs.

Several development organisations are involved in calculating minimum wages for the interest of internal communication or as a tool for monitoring projects. One of these organisations calculated a national minimum wage rates for Rwanda of approximately US\$40 (39,316 RwF) per month. This figure is lower than the minimum wage of US\$60 currently being discussed in the Rwandan Parliament and lower than the average paid by the companies that were interviewed for this study. The differences between this organisation’s calculation, the amount currently being discussed within the Rwandan Parliament and what some companies actually pay, show that there is no baseline for what a minimum wage in Rwanda should be, and how it is calculated.

There is, for example, no distinction between the cost of living between urban and rural areas, and it differs per calculation on what an employee should be able to do with a minimum wage.

AVERAGE MONTHLY INCOME PER SECTOR

At the time of the research, MIFOTRA had carried out the LFS for 2020 to calculate wage averages according to the ILO's** International Standard Classification of Occupations (ISCO). MIFOTRA organises quarterly LFSs, for which data is collected on employment, labour under-utilisation characteristics of the population and salary and wage averages.⁸ These surveys can be found here: <https://www.statistics.gov.rw/statistical-publications/subject/labor-force-and-economic-activity>.***

COMPULSORY PAY FOR BENEFITS

Besides paying salaries and wages, companies who are registered in Rwanda are obliged to pay for additional benefits such as pensions, maternity leave and general medical aid (e.g. work accident insurance). Pension contributions are paid to the Rwanda Social Security Board (RSSB) at a rate of 6% of the employee's basic salary. The employer and employee usually pay 3% each.⁹ Maternity leave contributions paid to RSSB are at a rate of 0.6% of the employee's gross salary. The employer pays 12 weeks of maternity leave and can ask the GoR for a reimbursement of six weeks' pay. Both the employer and employee usually contribute 0.3%.¹⁰ Medical aid contributions paid to RSSB represent 15% of the employee's gross salary and is paid by both the employer and the employee, usually at a rate of 7.5% each.¹¹ For foreign businesses, we advise consulting local accountants to ensure that your business complies with the requirement to pay compulsory benefits.

LIVING WAGES

As noted in the introduction, living wages refer to wages that not only cover basic needs but allow employees to increase their living standard, for example because they are able to save money or pay for education and health-care. Based on our desk research and additional interviews, it seems that living wages are not widely implemented in Rwanda. The GoR perceives affordable labour as a comparative advantage to attract foreign investment. Also, the lack of regulations and guiding principles on living wages indicate limited knowledge on the topic.

Looking at the numbers, there is a significant gap between minimum and living wages. Although MIFOTRA provided an overview of the average salaries and wages paid in different sectors, it does not address living wage considerations. Salaries and wages differ markedly per sector due to the dynamics of supply and demand in labour markets that cause wage differences per sector. Paid averages also do not reflect whether wages are sufficient for employees to meet basic or additional needs. These factors together increase the likelihood of employees not being paid enough to meet their needs.

Keeping up with living wages does not necessarily mean an exclusive focus on salary increases. In order to provide for all of an employee's needs, employers can include additional benefits and services (e.g. pension and healthcare) on top of salaries. Some benefits are prescribed by the GoR and can push up the expendable income of employees; other benefits can be decided upon by employers and employees together. These and other benefits are tax deductible and can be counted as providing employee benefits (which are included in the living wage calculation).

Living wages are often put in place by companies or institutions in order to protect employees from (extreme) poverty and allow them to pay for adequate shelter, food and other living necessities. Tables 1 and 2 show Rwandan-based living wages per family size and per education/skills level.

In this report, the 'typical family' standard developed by WageIndicator (2018) was used to compare company salaries and wages as, on average, this best reflects the respondents' household situations. The WageIndicator Foundation was established because of the lack of coherent labour market information worldwide.¹² The Foundation provides labour market transparency for all its stakeholders who are concerned with wages, labour law and careers, and has an extensive online platform on which daily living wages are showcased alongside minimum wages and labour laws.

Please refer to Annex 1 for an overview of the expenditures on which the living wages from WageIndicator are based.

** The International Standard Classification of Occupations categorises jobs according to their duties and tasks. The nine categories are: Managers, Professionals, Technicians and Associate Professionals, Clerical Support Workers, Services and Sales Workers, Skilled Agricultural, Forestry and Fishery Workers, Craft and Related Trade Workers, Plant and Machine Operators and Assemblers, and Elementary Occupations. An extra group, classified as 'group 0', is for Armed Forces Occupations.

*** MIFOTRA also calculates salary and wage averages per sector, however, as these averages are not publicly available, please reach out to the TRAIDE team to receive more information about these averages.

TABLE 1: FAMILY LIVING WAGES (MONTHLY RATES IN US\$)

Household composition	Range in US\$
Typical family (two parents + four children, 1.9 parents working)	189–356
Standard family (two parents + two children, 1.8 parents working)	159–329
Two parents and two children, with 2 parents working	143–296
Two parents and two children, with 1 parent working	286–591
Single adult without children	93–107














Source: WageIndicator (2018)

TABLE 2: LIVING WAGES IN CONTEXT (MONTHLY RATES IN US\$)

Living wages household composition vs. real wages education/skills levels	Range in US\$
Living wage for single adult	93–107
Living wage for typical family	189–356
Real wage of low-skilled worker	53–101
Real wage of medium-skilled worker	162–270
Real wage of high-skilled worker	293–536

Source: WageIndicator (2018)

TABLE 3: DETERMINANTS USED BY COMPANIES TO SET THE LEVEL OF WAGES AND SALARIES

DETERMINANTS USED BY COMPANIES	Fashion Ltd	Aviation Ltd	Food Ltd	Pharma Ltd	Solar Ltd	Hospitality Ltd
 Retaining staff and wage satisfaction						
 Performance (e.g. quality of work)						
 Industry wage levels						
 Cost of living						
 Experience						
 Proactive attitude						
 Level of education						
 Negotiations						
 Skills (e.g. communication)						
 Productivity (e.g. speed)						
 Company revenues						
 Input cost of employee						
 Reliability						

Experiences of companies in Rwanda

This section provides a summary of the six case studies that were researched for this report. It describes how the companies approach wages, how they perform, and what their challenges are. It also summarises the perceptions of employers and their employees regarding salaries, wages and other labour practices. The companies are all Rwandan entities and active in the following sectors: aviation, energy, fashion, health, hospitality and processing.

DETERMINING SALARIES AND WAGES

In order to decide on wages and salaries for their employees, it seems that companies predominantly keep in mind the sector's general wage and salary levels, retention rates, employees' wage satisfaction, and the individual performance of employees (see Table 3). Other determinants to decide 'the right' salaries and wages are, for example, the cost of living, employee reliability, productivity, and the company's financial performance overall.

Most respondents did not consider company revenues as a driver for setting salaries and wages. But, not surprisingly, low financial performance does appear to affect wage levels. For example, one of the companies stated that it could not increase wages due to the harmful effects of the COVID-19 pandemic.

Figure 1 compares paid salaries and wages with LFS averages¹³ and personal expenditures. The graph shows large differences between companies in different sectors and shows various deviations from the sector averages. There are especially significant differences within the fashion, aviation, pharma and solar (energy) sectors.

DETERMINING ADDITIONAL BENEFITS

Many of the companies provide their employees with one or more benefits, as shown in Table 4. All companies increase wages annually, but in some cases depends on the job level whether this increase is given or not.¹⁴ In general, additional benefits are offered to all employees, but there are differences in how many benefits are provided. In addition to an annual salary increase (as discussed previously), all companies provide at least one additional benefit. Transport allowance is most

often mentioned (e.g., moto or bus fees), followed by communication allowance (e.g., prepaid cards for phone usage at work/home), which is often provided but not to all employee levels.

The arrangements for these additional benefits are either contract-based or based on a verbal agreement, and are either obligatory or voluntary. For example, contributions to basic medical aid and pension are obligatory for companies and employees under Rwandan law, but all extra pension and medical aid schemes (e.g., medical aid for family members) are not. Obligatory benefits are nearly always based on contracts, and seldom based on verbal agreements. Communication and transport allowances, however, are voluntary benefits and are often verbally agreed on.

Bonuses and overtime payments are not common among the companies interviewed. The study did not uncover the extent to which these benefits are contractual or verbally agreed upon.

FIGURE 1: COMPANY SALARIES AND WAGES IN US\$ PER MONTH COMPARED TO LFS WAGE AVERAGES, THE TYPICAL FAMILY LIVING WAGE THRESHOLD AND PERSONAL EXPENDITURES OF EMPLOYEES

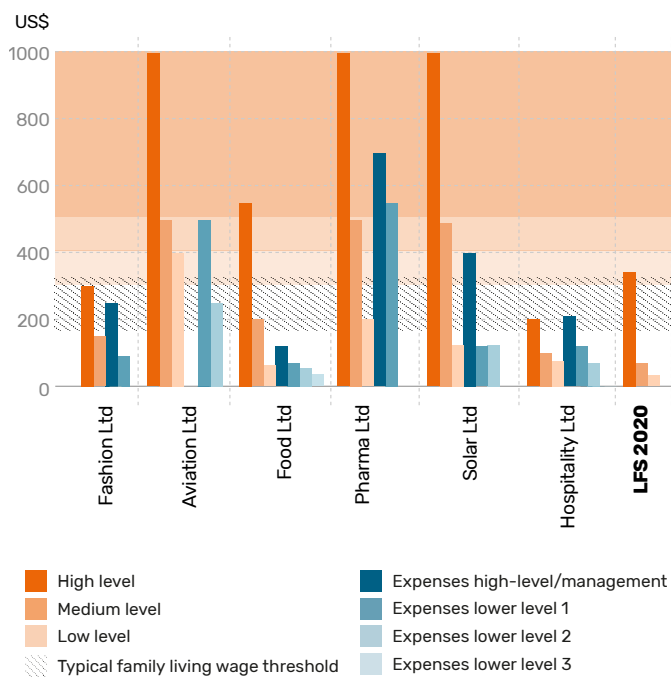


TABLE 4: LIST OF ADDITIONAL BENEFITS PROVIDED BY SIX CASE STUDY COMPANIES

ADDITIONAL BENEFITS	Fashion Ltd	Aviation Ltd	Food Ltd	Pharma Ltd	Solar Ltd	Hospitality Ltd
Transport allowance	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Communication allowance	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Free or subsidised food (e.g. lunch)	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Basic medical aid	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Free (or subsidised) healthcare	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Free (or subsidised) healthcare for family members	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Free testing and treatment for HIV/AIDS, malaria etc.	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Free vaccinations arranged	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Pension	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Facilitate access to financial services, e.g. loans)	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Disability cover	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Life insurance	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Recreational area	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
13th month/end of year pay	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Providing company shares to employees	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Contribution to education	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees
Housing allowance	For all employees	For all employees	For all employees	For all employees	For all employees	For all employees

For all employees (orange) For some employees (light orange) For none (dark blue)

EMPLOYERS' PERCEPTIONS OF WAGES AND GOOD LABOUR PRACTICES

During the interviews with employers, there was a focus on the perceived business case for wages (both minimum and living wages). This mainly relates to two elements: (1) reasons to increase wages; and (2) reasons to not increase wages.

The most important reasons for companies to increase wages are: (1) to attract high-skilled labour or to pay the high-skilled labour they trained themselves; (2) the increased performance, (3) to improve job satisfaction up to a certain extent; and (4) to reduce turnover. The reasons that deter companies from increasing wages are: (1) the imbalance between relative wage increase and performance increase, as performance rates stop increasing after a certain salary or wage 'maximum' has been reached; and (2) the poor performance of employees, which deters employers from paying them a higher salary.

The value of additional benefits is perceived differently by employers. While some argue that employees value a salary or wage increase over additional benefits, others indicated that benefits contribute to higher performance and satisfaction rates among employees or give the employer the security that employees are taken care of.

The interviewees also indicated that the Rwandan labour market has some challenges for employers. Some companies specified that the skills needed for their jobs are lacking in Rwanda, and that they have to put a lot of effort into training staff. This makes the costs for hiring skilled staff high. There were also companies who are actively seeking to increase salaries and wages but cannot find the support to do this or do not know which margins are realistic in Rwanda.

EMPLOYEES' PERCEPTIONS OF WAGES AND GOOD LABOUR PRACTICES

For the purposes of this study, three employees and one manager per company were interviewed. The majority of the employees who were interviewed showed appreciation for the job they are working in and indicated that they were generally happy with the working environment, based on their working conditions and the relationship with the management team and other colleagues. They also highly appreciate the additional benefits they receive, either in-kind or in cash. For some employees, an additional benefit has an even higher value than an increase in salary.

Overall, the degree to what an employee can do with his or her salary/wage is dependent on living standards, household size and cost of living. A higher wage level means that one can provide better for basic needs than with a lower wage level, but it does not necessarily mean that a higher wage level provides well for additional needs. This is, for example, due to the fact that certain companies in sectors have a large number of high-skilled employees who in general have higher living standards (fashion, energy, processing), while others do not (hospitality, health). Also, the perception of a living or minimum wage is dependent on, for example, living standards and the cost of living. Many relatively high-paid employees have higher expectations of a living wage than relatively lower-paid employees, who see a living wage as the minimum wage perceived by high-paid employees.

Based on the interviews, it seems that the ability to save does not directly relate to salary/wage levels. The majority of the interviewed employees indicated that they have no savings left at the end of the month, regardless of how much they are paid. However, the capacity to save appears to be greater outside of Kigali than in Kigali, where the cost of living is significantly higher.

It seems that job satisfaction rates are dependent on the value of additional benefits that are offered by companies. These are often valued higher when there is a choice between a wage increase or an additional benefit. Employees who provided the lowest scores on wage and job satisfaction rate are the ones with an unstable or unreliable income: some do not have a steady monthly income, and some are not always paid in time. Most of them were lower-skilled staff, but there was one exception in which higher-skilled staff also faced these income insecurities.

Conclusion

When it comes to setting minimum or living wages in Rwanda, there is limited information available to support companies to do so. Although it is a topic of interest, it is seen that Dutch-linked and local companies sometimes struggle to find concrete ways to improve salary- and wage levels and labour practices. This report surveyed six companies from different sectors and demonstrated similarities and differences in how they organise their labour practices, salaries/wages and additional benefits. Some of the companies have explicit salary scales, structured benefits, and offer their employees a stable income. Others were still looking for ‘the right’ salaries/wages and benefits and were generally facing more difficulties in retaining their employees and keeping them satisfied.

It is seen that wage levels in Rwanda differ strongly per sector and companies miss guidance for setting the ‘right’ wages. The Ministry of Labour and Public Service (MIFOTRA) conducts a quarterly Labour Force Survey to assess the salaries and wages in specific sectors. The results of the survey are being published; however, it is not possible to see what the averages are for specific sectors. It is therefore hard for businesses to assess how they are performing in relation to other businesses in the same sector. Certain sectors have relatively high averages (design, energy, processing), while others score below country averages (hospitality, health).

Many of the interviewed employees are satisfied with their salaries, the benefits offered, and the general atmosphere at work. When comparing the wages of the case studies to the estimates of the WageIndicator, it turns out that the numbers are not too far off. However, in some cases, the level of compensation does not seem to match living wage standards while employees mention that the received compensation does not meet their daily needs. Moving towards (perceived) living wages does require effort for the private sector: companies will have to identify the cost of living for their employees and tweak their remunerations (and secondary benefits) to move towards paying a living wage.

Based on the desk research and interviews with six companies, this report concludes with some practical steps for businesses who are looking for more guidance on the topic of wages and labour practices. For organisations who are interested to further engage on this topic or want to learn more about this report, please get in touch with TRAIDE Rwanda at rwanda@traide.org.

In the section below we provide practical tips for businesses to increase wages and reap the associated benefits.

Ways to engage

STRUCTURE WAGE SETTING AND CREATE A MINIMUM THAT RETAINS AND SUPPORTS STAFF AND INCREASES PRODUCTIVITY

1. An individual or sector cost-of-living study helps to set and change wages. Some companies in Rwanda already invest in their own cost-of-living study, which opens the door for knowledge sharing or dialogue. Such cost-of-living studies can also be performed by a third party.
2. Develop a salary scale that is based on market averages and living wages, and that fits your company financial performances. Using such scales creates more structure and transparency and helps to manage expectations (and dissatisfactions) among employees.
3. Update your salary scale regularly. Accounting for market developments and inflation reduces the risk of employees switching to higher-paying jobs. This will help you to retain qualitative staff and reduce (re)training costs.
4. Sometimes wages are simply too low. Staff might exhaust themselves working side jobs, which reduces their job productivity. Find ways to identify whether this might happen. Sometimes paying slightly higher wages could reduce the need for side jobs. This in turn could reduce your HR costs (e.g., new staff training), increase productivity, and increase employees' job satisfaction.
5. Use the above mechanisms to find your company's 'sweet spot': a minimum wage where people are content and will start looking more at job satisfaction (e.g., secondary benefits and career path) that fits within the (financial) realities of your company.

STIMULATE PERFORMANCE BEYOND THE BASELINE WAGE

1. Offer additional benefits (e.g., transport allowance, free lunch or training budgets) to increase job satisfaction and retention rates. Sometimes additional benefits can be offered instead of a wage increase.
2. Be aware that some secondary benefits are included in the calculation of a living wage (e.g., transport, food, accommodation, etc). You can offer secondary benefits and thereby increase your wages to the living wage level. Compared to simply paying more, such secondary benefits are often tax deductible and will lead to higher net benefits. Do discuss such structures with your employees, as to develop a remuneration system that works for them as well as for your company.

3. Introduce performance payment structures on top of the baseline wage. Performance based payment is a way to stimulate productivity and should also be available for vulnerable, lower skilled (and lower paid) staff. Make sure to avoid perverse performance-based incentives. In some industries this led to (illegal) overtime and sweat-shop conditions.

INVEST IN SMALL EFFORTS THAT CAN LEAD TO BIG DIFFERENCES

1. Stimulate people to think about their career paths and growth opportunities within your organisation. Provide perspective for- and manage expectations with- (non)contracted employees: the prospect of job rotation or additional responsibilities could already increase job satisfaction among employees.
2. Focus on relatively small actions to connect with your employees that can increase job satisfaction rates: organise brainstorm sessions about preferred topics, pay house visits when an employee is sick, join in celebrations, etc.
3. Make job and wage satisfaction discussable, with an appointed manager or a trusted person.
4. Reduce worries by offering more job or wage certainty. Pay your staff consistently and on time, to relieve unnecessary insecurities and stress. Make or stimulate monthly savings for unexpected events that could lead to job loss (e.g., during the COVID-19 crisis).

CONNECT WITH OTHERS ON THE TOPIC OF WAGES AND LABOUR PRACTICES

1. Reach out to other companies, (non) Governmental organisations, and donors to explore collaborations (and funding opportunities) on the topic of wages and salaries.
2. Knowledge institutes such as the Rwandan Labour organisations, International Labour Organisation (ILO), or network organisations, such as the European Business Chamber of Rwanda (EBCR) could help to create guidelines for individual companies or for sectors.
3. Many companies within the same sector discuss wage levels among each other. Open dialogues with sector partners- or setting up collective bargaining agreements- could stimulate the development of wage guidelines within sectors.
4. Request NGOs and donors to partake in 'the journey' for living wages. Some programs or subsidies might support collective efforts to increase wage levels. Policy objective to stimulate living wages of the private sector should also be implemented by such donors and NGOs themselves (e.g., using the same yardstick).

Annexes

ANNEX 1: EXPENDITURE AND LIVING WAGE CALCULATION (MONTHLY RATES) IN RWANDAN FRANCS

Item	Typical family Range	Standard family Range	Single adult Range
Food	144,400–170,100	96,200–113,400	24,100–28,400
Housing	35,000–40,000	35,000–40,000	20,000–25,000
Transport	20,000–20,000	20,000–20,000	10,000–10,000
Health	30,000–30,000	30,000–30,000	7,500–7,500
Education	9,100–190,000	9,100–190,000	0
Other costs	11,900–22,500	9,520–19,700	3,080–3,550
Total expenditure	250,400–472,600	199,820–413,100	64,680–74,450
Net living wage	131,789–248,737	111,011–229,500	64,680–74,450
Gross living wage	185,800–350,700	156,500–323,600	91,200–105,000

Source: WageIndicator, 2018

ANNEX 2: FOOD BASKET AND FOOD PRICE CALCULATIONS IN RWANDAN FRANCS

Food item	Grams per day	Energy (kcal)	Price per kg
Wheat, barley and cereal products	59	176	1,000–1,500
Rice	23	82	800–825
Meat (beef, pork, poultry)	24	36	2,000–2,500
Oils (soyabean, olive, palm)	6	52	–
Sugar (raw equivalent)	14	49	–
Maize and products	39	123	–
Milk, excluding butter	19	12	400–400
Vegetables, other	117	25	600–1,000
Potatoes and products	268	192	200–250
Butter, ghee	1	6	–
Groundnuts (shelled eq)	2	9	–
Cassava and products	258	264	250–250
Egg (price per 10 eggs)	0	1	1,000–1,000
Fish products	10	7	2,500–3,000
Beer	15	7	1,400–1,400
Beans	92	308	500–550
Sweet potatoes	232	223	250–250
Bananas	752	451	250–250
Soyabeans	5	21	–
Yams	16	16	–
Apples and products	0	0	500–650
Tomatoes and products	29	5	600–900
Onions	3	1	500–500
Oranges, mandarins	2	1	–
Peas	6	19	–
Roots, other	19	17	–
Seeds and kernels	0	0	1,000–1,000
Cream	0	0	1,500–2,000
Citrus, other	0	0	1,500–1,500
Lemons, limes and products	3	0	500–800

Source: WageIndicator, 2018

ANNEX 3: METHODOLOGY

This study investigated the status quo of minimum and living wages in Rwanda, with a view to offering pragmatic and realistic guidance on how labour practices can be improved.

Respondents: The qualitative study interviewed representatives from six companies that were willing to share their practices. These six domestic and foreign companies are active in different sectors, and thereby show different challenges and good practices. The companies operate in the fashion, aviation, food processing, pharmaceuticals, energy and hospitality sectors.

On average, the TRAIDE team interviewed four respondents per organisation. Typically, one management-level respondent provided insights into topics related to the determinants of salaries, wages and additional benefits. The other three respondents were employees who reflected on their salaries and wages, job satisfaction and associated challenges. The responses were compared with the 2018 WageIndicator classification of a 'typical family', as this most accurately reflects Rwandan respondents' households (see Annex 1).

Limitations and scope: Salary/wage levels and job satisfaction are sensitive topics. As a result, some respondents did not wish to answer all of the questions. The study team asked companies to provide honest answers, given that it would be impossible to triangulate the information provided. It should be noted, therefore, that this report presents anonymised descriptions of the different cases and should be regarded as a qualitative study to kickstart a discussion on the topic of living wages. This study estimates the status quo, identifies general bottlenecks and opportunities, and uses the bottlenecks and opportunities to design recommendations and potential actions for a larger group of companies.

Throughout the report, Rwandan Francs (RwF) have been converted into US Dollars (US\$) using the exchange rate on 08 June 2021: 1,000 RwF = US\$1.01 (1:0.001)

ANNEX 4: REFERENCES

- ¹ ILO, 2018.
- ² National Institute of Statistics of Rwanda, 2021a.
- ³ TRAIDE, 2021.
- ⁴ ILO, 1970.
- ⁵ Global Living Wage Coalition, 2018.
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- ⁷ Labour organisations, personal communication, 23 March 2021.
- ⁸ National Institute of Statistics of Rwanda, 2021.
- ⁹ RSSB, 2019.
- ¹⁰ RSSB, 2019.
- ¹¹ RRA, 2021.
- ¹² WageIndicator Foundation, 2021.
- ¹³ National Institute of Statistics of Rwanda, 2021b.
- ¹⁴ One company did not increase wages in 2020 due to the economic impact of the COVID-19 pandemic.
- ¹⁵ Salaries do not apply at Fashion Ltd, as all staff are paid per clothing item made and therefore do not receive a determined yearly salary divided by 12 months.
- ¹⁶ Both salaries and wages apply to Aviation Ltd, as some staff are paid per month according to a contract and receive a determined yearly salary divided by 12 months, while others are paid per hour and receive weekly/monthly payments.
- ¹⁷ Both salaries and wages apply to Food Ltd, as some staff are paid per month according to a contract and receive a determined yearly salary divided by 12 months, while others are paid per hour and receive weekly/monthly payments.
- ¹⁸ Both salaries and wages apply to Pharma Ltd, as some staff are paid per month according to a contract and receive a determined yearly salary divided by 12 months, while others are paid per hour and receive weekly/monthly payments.
- ¹⁹ Both salaries and wages apply to Solar Ltd, as some staff are paid per month according to a contract and receive a determined yearly salary divided by 12 months, while others are paid per hour and receive weekly/monthly payments.
- ²⁰ Both salaries and wages apply to Hospitality Ltd, as some staff are paid per month according to a contract and receive a determined yearly salary divided by 12 months, while others are paid per hour and receive weekly/monthly payments.
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ANNEX 5: CASE STUDIES

Fashion Ltd

Fashion Ltd determines its wages¹⁵ on the basis of the cost of employees; employees’ productivity, reliability, skills, performance; the cost of living; industry wage levels; negotiations; and retaining staff and wage satisfaction. The management tries to set wages according to the market and living standards in Rwanda, but also creates an incentive for employees to be motivated to be productive. Despite setting the wages of employees, Fashion Ltd struggles to determine what is ‘right’ because of the absence of legal guidelines produced by the GoR.

SECTOR
LOCATION
FIRM CATEGORY
NON-CONTRACTED/
CONTRACTED WORKERS
PROVIDED JOB BENEFITS

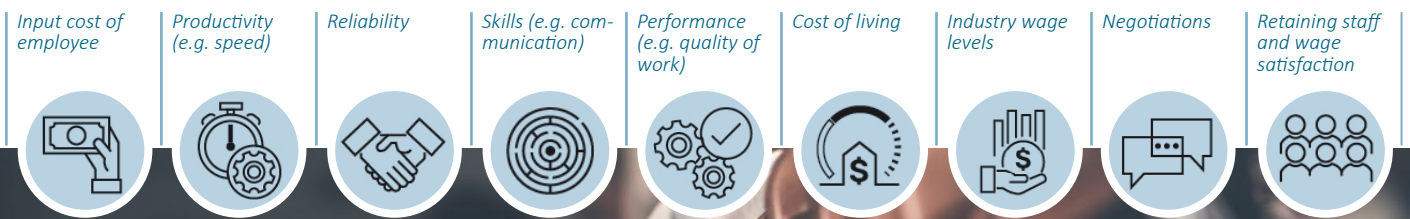
Fashion/design
Kigali, Rwanda
SME
7/8

Communication allowance, free (or subsidised) food, gift and envelope/bonus at the end of the year, annual wage increase

ESTIMATED VALUE OF BENEFITS

US\$16.42/fte per month

DETERMINANTS OF WAGE LEVELS



EMPLOYER

Determinants of wage levels

To set wages, Fashion Ltd looks at the Rwandan context and checks with tailors what should be the standard wage: *“About US\$0.25 per hour, and approximately US\$200 per month. Then we subtract the costs of equipment and rent. This is the guideline for the market.”*

Fashion Ltd looks beyond the needs of the employee. It keeps in mind that employees should be able to have enough income to provide for food and housing for the family, education for children, and some for savings, healthcare and employees’ own education.

It is hard for Fashion Ltd to set realistic wages because there are no legal guidelines in Rwanda: *“I want to pay them sufficiently so that they are satisfied, but also stimulated to be productive. What makes sense? We do not want to pay either too low or too high.”* Based on these factors, salaries can change or are negotiated between employees at Fashion Ltd, or bonuses can be applied: *“We want to set a level where people are happy, but still would like to make more. So, the bonus will really incentivise them, because otherwise they might do some other garments so that they can make an additional income.”*

Fashion Ltd organises collective salary negotiations. Wage increases are also based on increases in demand for products: *“If there is more work, people will make more money.”*

Fashion Ltd does not have any deliberations against increasing wages.

Reflection on level of wages (living wages, status quo, etc.)

In general, Fashion Ltd is satisfied with the wages it currently pays its employees and considers the living wages table developed by WageIndicator (2018) to be realistic: *“The system has been organised to make sure that people can really make a good income.”*

According to Fashion Ltd, when employees earn a living wage they: *“... should be able to eat, pay insurances, and live comfortably.”*

In contrast to a ‘living wage’, earning a ‘thriving wage’ means that: *“... one can save, buy a house and invest in education.”*

Role of additional benefits

Fashion Ltd irregularly uses a bonus system that works as a motivational tool for employees. Currently, there are no other benefits available to employees. However, discussions have been held on adding new ones. The main argument for this is to reduce the stress levels of employees: *“It is all about the quality of life.”*

EMPLOYEES

Wage and job satisfaction

Figure 2 shows the overall satisfaction rates of two employees within Fashion Ltd, both with an average monthly salary of US\$150 per month. Overall satisfaction rates are low, despite the annual wage increase and overtime payment received by both employees. Looking at the satisfaction rates, it appears that the inability of wage levels to meet basic and additional needs corresponds with a relatively low level of satisfaction among employees. Both employees have more than four members in their households, and financially are 80–100% responsible for the household.

The job satisfaction of the employees varies. One employee explained that the employer goes the extra mile and does more for employees compared to others: *“Few employers supported their employees during the lockdown. The shop was closed but our employer sent money to help us in that period, even though we were not working.”*

The job satisfaction rate is lower when it comes to additional benefits: *“I am disappointed when I think about the fact that I worked for 8 years for Fashion Ltd but did not earn any pension which can support me in the future.”*

Employees’ reflections on living wages

Employees’ perception of the difference between a minimum wage and a living wage is linked to the value they have for the company, not necessarily on the differences in opportunities when having a higher wage: a minimum wage should turn into a living wage when the employee accrues higher value for the company than before (based on experience, for example). Besides this, a living wage should enable one to save for the future: *“I am considering the value that a tailor should have, looking at what we make and how much it costs. I think about the company as well, and about what could help me to have a better life.”*

The employees highlight the point that a living wage could be reached when they earn a stable income per month, but that is not a realistic prospect at the moment.

Side jobs and ability to save

Fashion Ltd employees earn a monthly salary that is average for most measured living wages in Rwanda by WageIndicator. One employee explained that he needed a side job.

Even though both employees are paid the same, there is no correlation between the ability to save money and the need for a side job. As both employees have a similar household size, other external factors cause employees to search for side jobs: *“The reason why I do not look for another job is because at least my current job can help in my daily life and provide me with savings sometimes.”*

TABLE 6: DETAILS OF FASHION LTD STAFF – HIGH-LEVEL/ MANAGEMENT AND LOWER-LEVEL EMPLOYEES

	Management	Lower-level
Years employed by company	8	6
% responsible for household income	100%	80%
Bonus	For all employees	For none
Overtime payment	For all employees	For none
Annual wage increase	For all employees	For none
Need to take on side jobs	For all employees	For none
Able to save	For all employees	For none

■ For all employees ■ For none

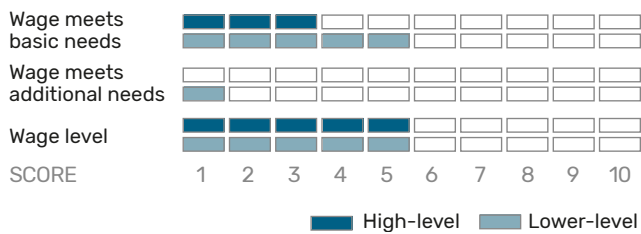
SUMMARY

Fashion Ltd management tries to set wages according to the market and living standards in Rwanda, but also creates an incentive for employees that motivates them to be productive. This is done, for example, by rewarding high productivity with bonuses. Despite setting its own wage levels, Fashion Ltd struggles to determine what is ‘right’ because of the absence of legal guidelines produced by the GoR.

Employees are critical of their wage levels, because of the insecurity it creates when supply and demand shift. Therefore, side jobs are sometimes needed, and the ability to save is not guaranteed. They argue that a living wage could be achieved when their monthly income stabilises.

FIGURE 2: LEVEL OF SATISFACTION WITH WAGE ON A SCALE FROM 0–10 AMONG HIGH-LEVEL AND LOWER-LEVEL EMPLOYEES AT FASHION LTD

** Employee 2 stated that the possibility of the current wage meeting additional needs was 0/10*



Aviation Ltd

Aviation Ltd determines its wages based on performance, cost of living, experience, level of education, proactiveness, industry wage levels and retaining staff satisfaction. The management believes that appropriate salaries and wages¹⁶ should be paid so that employees can survive and thrive. However, Aviation Ltd stresses that there is a point at which paying too much might not be beneficial. Instead, a focus on career path is preferable for the company and employees.

SECTOR
LOCATION
FIRM CATEGORY
NON-CONTRACTED/
CONTRACTED WORKERS
PROVIDED JOB BENEFITS

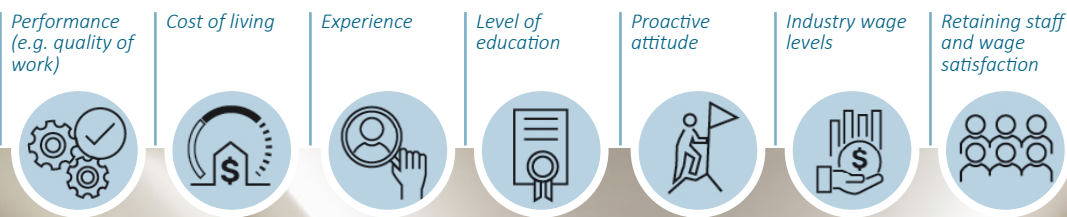
Aviation
Kigali, Rwanda
Large enterprise (multinational)
n.a./30

Communication allowance, transport allowance, general medical aid, free (or subsidised) healthcare, free (or subsidised) healthcare for family members, free testing and treatment for HIV/AIDS, malaria etc., free vaccinations arranged, 13th month, bonus, annual wage increase

ESTIMATED VALUE OF BENEFITS

N.a.

DETERMINANTS OF WAGE LEVELS



EMPLOYER

Determinants of wage levels

Aviation Ltd primarily bases salaries and wages on the cost of living in Rwanda. The HR department annually assesses the local cost of living, after which the mother company in Brussels revises the salary and wage grid. Individual salary and wage changes are subsequently discussed with and implemented by the country manager. The manager sporadically discusses salaries and wages with peer companies to understand practices within the sector and the country.

Aviation Ltd mostly values productivity, work attitude and team atmosphere. The company offers salaries and wages and benefits as a standard package, and rarely engages in negotiations. From a purely commercial perspective, paying higher salaries and wages could harm profitability. The company, however, believes that paying higher salaries and wages will help to retain staff, and is therefore beneficial for the company as well as its employees: *“It is all about performance and job satisfaction. It is about investing in a person and how this relates to their performance.”*

Reflection on level of wages (living wages, status quo, etc.)

The company feels that salary and wage levels enable its employees to live comfortable and decent lives. It feels that paying higher salaries and wages does not necessarily lead to an increase in job satisfaction or happiness: staff are happy when they receive a higher salary, but they observe a threshold after which ‘job enrichment’ becomes more important than income. Aviation Ltd, therefore, sets a satisfactory salary or wage and focuses on career path and growth opportunities: *“People in Rwanda have a long-term vision; they look at their career paths: where will they stand in five years from now?”*

The General Manager believes that the living wage table does not suffice. Kigali is an expensive city and prices increase continuously: *“Nobody can survive on these salaries.”*

Role of additional benefits

Aviation Ltd believes that while in-kind benefits are appreciated, employees focus on career paths and job rotation: *“If you pay the right wage and provide room for career growth, people become satisfied, like to work hard, and the company will retain staff.”*

EMPLOYEES

Wage and job satisfaction

Figure 3 shows the overall satisfaction rates of three employees within Aviation Ltd, with employee 1 having the highest monthly salary and employee 3 the lowest. Overall satisfaction rates concerning salaries and wages and what one can achieve with them vary, but are not high. All three employees are equally satisfied with their salary levels, even though salaries and wages are not similar and not all employees receive an annual wage increase or bonus. Looking at the satisfaction rates for the provision of basic and additional needs, there does not appear to be a relationship with the salary/wage level.

Besides salary satisfaction, although not visible in this Figure, Aviation Ltd staff have a high job satisfaction rate: *“Aviation Ltd has become a family since I started working for them. Everyone in the company has done a lot to change my life.”*

Employees’ reflections on living wages

Employees’ perception of the difference between a minimum and a living wage is that the latter provides a sustainable life for everyone in the family; provides a sense of fulfilment as a result of being able to provide for basic needs; and allows one to save money. The option to give back to the community an employee lives in is also seen as one of the benefits of a living wage: *“It will enable me to do extra projects outside my work, like helping with government projects in my neighbourhood.”*

Side jobs and ability to save

Aviation Ltd employees earn a monthly salary or wage that is in general above all measured living wages for Rwanda. All three employees explained they were not in need of side jobs. Although all three employees are paid above the average in the Rwandan aviation sector, it appears difficult for them to save. The reasons for this could be that employees already have higher expenses for activities they view as basic needs, while others see this as a luxury product for which they saved money (like further studies or community work).

TABLE 7: DETAILS OF AVIATION LTD STAFF – HIGH-LEVEL/ MANAGEMENT AND LOWER-LEVEL EMPLOYEES

	Management	Employees	
		Lower-level 1	Lower-level 2
Years employed by company	7	4	4
% responsible for household income	50%	100%	100%
Bonus	■	■	■
Overtime payment	■	■	■
Annual wage increase	■	■	■
Need to take on side jobs	■	■	■
Able to save	■	■	■

■ For all employees ■ For none

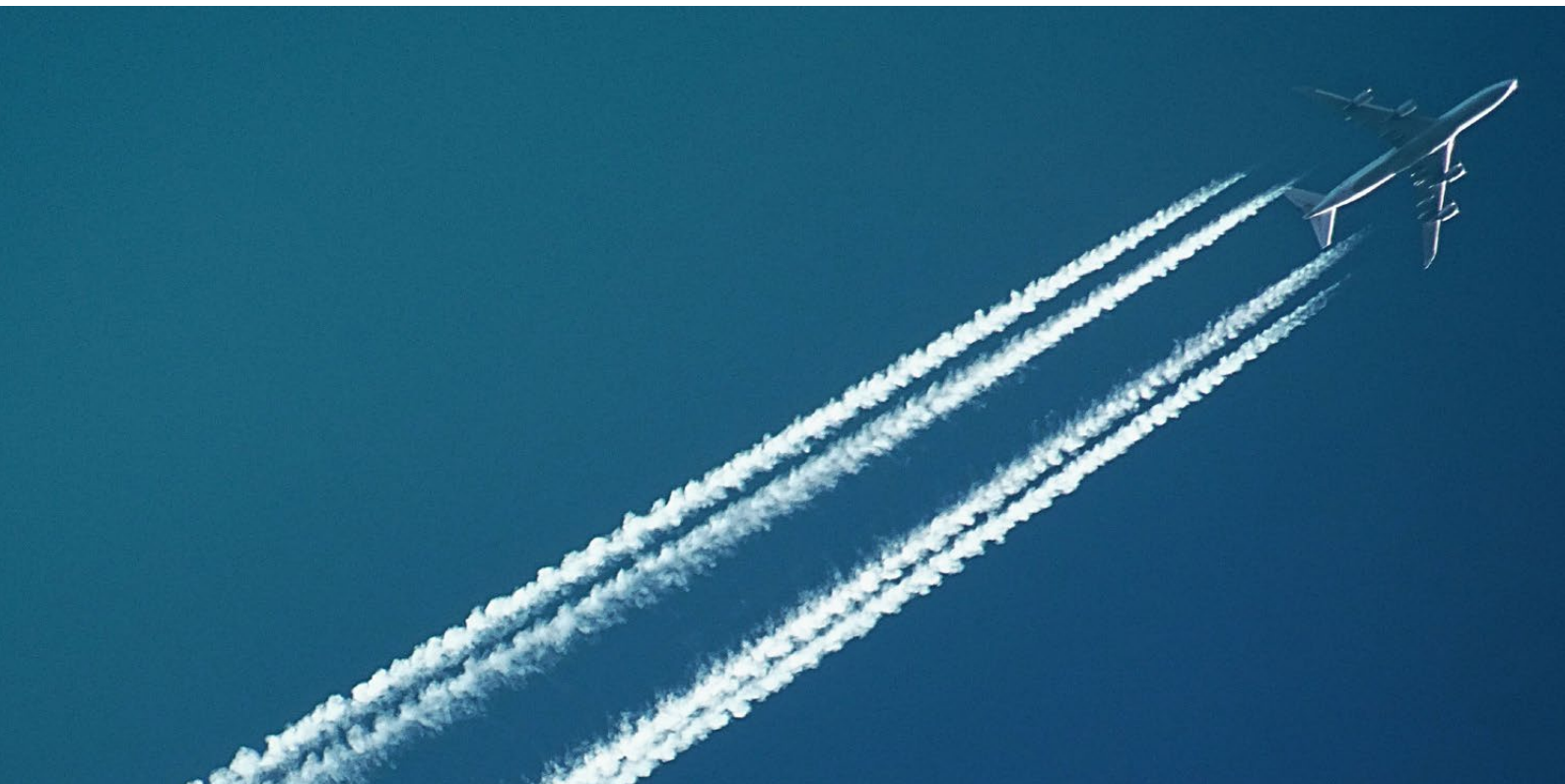
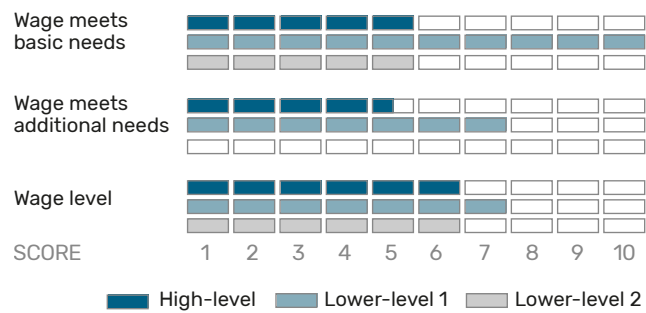
SUMMARY

Aviation Ltd management believes in paying a salary that allows employees to survive and thrive. The company bases salaries and wages on the cost of living and individual components. However, it stresses that there is a point at which paying too much might not be beneficial. Instead, a focus on career path is preferable for the company and employees.

Employees are not fully satisfied with their wage levels but do show high job satisfaction. Their perceived living wages are relatively high, which could be the result of having higher living standards. The relatively high wages mean there is no need for side jobs, although saving is difficult for all.

FIGURE 3: LEVEL OF SATISFACTION WITH SALARY/WAGE ON A SCALE FROM 0-10 AMONG HIGH-LEVEL AND LOWER-LEVEL EMPLOYEES AT AVIATION LTD

* Employee 3 (lower level 2) stated that the possibility of the current salary meeting additional needs was 0/10



Food Ltd

Food Ltd management determines wages based on productivity, performance, cost of living, experience, proactiveness and retaining staff satisfaction. The company wants to pay higher wages; however, it argues that guidance from the GoR would be necessary to decide on the right wages. As noted earlier, this guidance is currently lacking. All its employees and casual workers receive an annual wage increase and are paid for overtime work, and benefits and wages are balanced to keep performance high.

SECTOR
LOCATION
FIRM CATEGORY
NON-CONTRACTED/
CONTRACTED WORKERS
PROVIDED JOB BENEFITS

Processing
Musanze, Rwanda
SME
12/44

Communication allowance, transport allowance, free (or subsidised) food, annual wage increase, bonuses for management, overtime payment for operational staff

ESTIMATED VALUE OF BENEFITS

US\$11.72/fte per month

DETERMINANTS OF WAGE LEVELS

Productivity
(e.g. speed)



Performance
(e.g. quality of work)



Cost of living



Experience



Proactive attitude



Retaining staff and wage satisfaction



EMPLOYER

Determinants of wage levels

Food Ltd applies different salary and wage scales¹⁷ to different professions, which offers room for internal promotion. The company determines the scales by looking at comparable companies in the same sector. However, salaries and wages should be sufficient to provide for families' basic needs and to ensure no side jobs are needed.

Besides determining the salaries and wages based on market practices, Food Ltd discusses wage satisfaction with employees, after which salaries can change. It is, however, not an easy topic to discuss: *"I often hear information via other employees, instead of from the concerned employee. A casual worker will never tell me he or she is not satisfied."*

When looking at increasing salaries and wages, Food Ltd currently does this based on performance. All employees receive an annual wage increase, the most important aspect of which, according to Food Ltd, is to avoid employees having to take on side jobs. Food Ltd states that, in the future, it wants to invest more in casual workers, especially when it comes to additional benefits.

According to Food Ltd, the downside of increasing someone's salary or wage is that because everyone knows each other's salary or wage, everyone will demand a higher salary or wage. Besides that, employees will not necessarily work harder after a wage increase; they will just become more expensive.

Reflection on level of wages (living wages, status quo, etc.)

Food Ltd believes that the company's salaries and wages are not sufficient for all employees yet, as one of Food Ltd's criteria for a decent wage level for employees is to not need side jobs. However, the company finds it difficult to set the correct salaries and wages. As Rwanda has no set minimum wage, Food Ltd would appreciate more guidance on what a 'good' salary is: *"What are the responsibilities of the employer in terms of what you should pay?"*

The topics of living and thriving wages are subjective themes, depending on what one finds important: *"Living wages will rise when there is a longer list of essential elements in it (does one find education important or not?)."*

Role of additional benefits

Food Ltd believes that in-kind benefits are appreciated, but that employees consider salaries and wages to be more important. The company tries to balance wages and benefits to the extent that employees can carry out their work in a good way. Benefits are considered in this matter: *"What helps them to perform better?"*

EMPLOYEES

Wage and job satisfaction

Figure 4 shows the overall satisfaction rates of four contracted employees, with the high-level employee having the highest monthly salary and employees (lower-level 2 and 3) the lowest salary/wage. Overall satisfaction rates concerning salary and wage and what one can achieve with it vary, even though all receive an annual wage increase and are paid for overtime. It shows that there is no clear relation between salary/wage range and satisfaction level. Looking at the extent to which employees are satisfied that their salary/wage meets their basic needs, there does appear to be a correspondence between level of satisfaction and salary level. For additional needs, this relation is absent.

Job satisfaction rates vary across positions and salary or wage levels. Some employees see room for improvement: *"I have the problem that sometimes we are not getting the salary on time, which affects my life, as I depend on that salary to survive, and my family as well."*

Higher-paid employees have a higher job satisfaction rate: *"My employer sometimes goes the extra mile. For example, when you get sick or have someone who is sick, he always wants to know how you are doing. They support and visit you, which is not part of the job but has a good impact on an employee's motivation."*

Employees' reflections on living wages

Employees' perception of what differentiates a minimum wage from a living wage is that the latter is sufficient to meet the basic needs of the employee and those he/she is responsible for. Then the living wage is commensurate with the work one is doing: *"For example, you start your job early and you live far from your job. You will need high transport plus other expenses, which are not proportional to the salary you earn. In that condition your salary will be minimum."* A living wage can, according to the employees, provide for one's basic needs and allow one to save.

Side jobs and ability to save

Most employees explained they were not in need of side jobs, and that most of them can save money at the end of the month. The standard of living appears to differ from some other case studies in this report, perhaps due to the lower cost of living in this area compared to Kigali.

TABLE 8: DETAILS OF FOOD LTD STAFF – HIGH-LEVEL/ MANAGEMENT AND LOWER-LEVEL EMPLOYEES

	Management	Employees		
		Lower-level 1	Lower-level 2	Lower-level 3
Years employed by company	4	2	5	6
% responsible for household income	95%	100%	80%	100%
Bonus	■	■	■	■
Overtime payment	■	■	■	■
Annual wage increase	■	■	■	■
Need to take on side jobs	■	■	■	■
Able to save	■	■	■	■

■ For all employees ■ For none

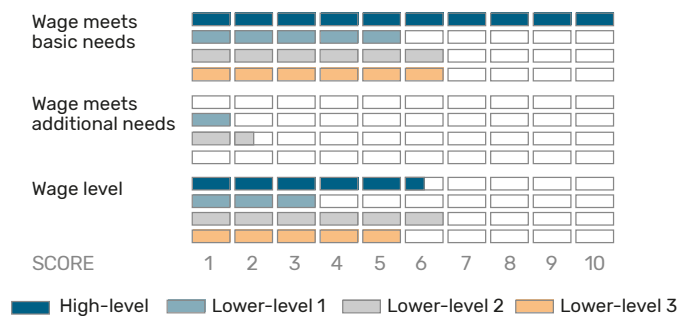
SUMMARY

Food Ltd management determines salaries and wages mostly on the basis of market prices and individual negotiations. The company wants to pay higher salaries and wages, and knows that what it pays currently is not sufficient, because multiple employees have side jobs. However, the company argues that guidance from the GoR would be necessary to decide on the right salaries and wages. At present, this guidance is lacking. All its employees and casual workers receive an annual wage increase and are paid for overtime, and benefits and wages are balanced to keep performance high.

Not all employees are satisfied with their wage levels and see insecurity in payment as an obstacle. Despite this, the ability to save is relatively high, even though salaries and wages for some employees are below living wages. According to the employees, more savings per month and better provision to meet basic needs would contribute to earning a living wage.

FIGURE 4: LEVEL OF SATISFACTION WITH SALARY/WAGE ON A SCALE FROM 0-10 AMONG HIGH-LEVEL AND LOWER-LEVEL EMPLOYEES AT FOOD LTD

* Lower level 2 and 3 stated that the possibility of their current salary meeting additional needs was 0/10



Pharma Ltd

Pharma Ltd management determines salaries and wages¹⁸ based on negotiations, skills, cost of living, experience, level of education, proactiveness, industry wage levels, company revenues, and retaining satisfaction. This can lead to salary and wage differences among employees working in the same position. Pharma Ltd also increases salaries and wages when the market situation changes. Its main reason for doing this is to retain good employees. The company believes increasing benefits is more important than increasing wages, to make sure employees are secure to some extent and so that they perform better.

SECTOR
LOCATION
FIRM CATEGORY
NON-CONTRACTED/
CONTRACTED WORKERS
PROVIDED JOB BENEFITS

Pharmaceuticals/health
Kigali, Rwanda
Large enterprise
0/136

Communication allowance, transport allowance, free (or subsidised) food, pension, free (or subsidised) health-care, free (or subsidised) healthcare for family members, 13th month, annual wage increase, bonuses

ESTIMATED VALUE OF BENEFITS

US\$72/fte per month

DETERMINANTS OF WAGE LEVELS



EMPLOYER

Determinants of wage levels

To set individual salaries and wages, negotiations take place. When people negotiate well, this can lead to a higher salary or wage than proposed by the company in the first place. According to Pharma Ltd, individual negotiation counts more than other factors used in determining wages. Therefore, there is a possibility that people in the same position are paid differently.

The market situation can give Pharma Ltd the incentive to set new salaries and wages: *“We set new wages to avoid high turnover and protect or keep our best employees. If we do not pay them well, other companies will likely take them, which might affect our company.”*

The main general reason for Pharma Ltd to increase salaries and wages is the increasing cost of living. After that, it is more important to increase available benefits for employees. According to Pharma Ltd, increasing salaries and wages will never reach an ultimate satisfaction point, because people always want higher salaries: *“I do not see the reason to keep increasing salaries. People’s needs are always there and there would never be a time that salaries are sufficient.”*

Another factor against increasing wages is that costs for the business will increase, but: *“... employees’ challenges will not be resolved in a sustainable way.”*

Reflection on level of wages (living wages, status quo, etc.)

Pharma Ltd believes it pays good salaries and wages compared to other companies in the same industry. When looking at the status quo, Pharma Ltd argues that employees should not receive salaries/wages and benefits in one gross salary: *“Companies should set fixed salaries but should pay benefits separately so that in case transport, food or rent increases, the company can find a way to increase this separately.”*

The company sees a living wage as a: *“... wage that should allow the employee to change his/her life to a better standard.”*

A thriving wage means that: *“... the employee is no longer struggling to get the basic needs and can get some other additional needs required for his/her family.”*

Role of additional benefits

Pharma Ltd believes that providing benefits is more important to employees and the company than increasing salaries: *“We know that our employees are secure to some degree, when looking at health, transport or communication. This also helps in doing their jobs better.”* Providing lunch to low-skilled and lower-paid employees also protects them from eating poorly during the day and prevents the company from portraying a negative public image.

EMPLOYEES

Wage and job satisfaction

Figure 5 shows the overall satisfaction rates of two employees within Pharma Ltd, with the high-level employee having a higher monthly salary than the lower-level employee. The Figure shows variations in both the overall satisfaction rates concerning salary and what one can achieve with the salary, but are high in all cases. Both employees are equally satisfied with their wage levels, even though salaries and annual wage increases are not similar. Looking at the satisfaction rates, there appears to be a correspondence between the ability to meet basic needs and salary level. For additional needs, there is no such relation with salary level. It shows, for example, that the employee with a higher wage is less satisfied about the salary meeting additional needs, compared to the employee with a lower salary.

Besides wage satisfaction, Pharma Ltd staff have a high job satisfaction rate: *“My employer does everything necessary and needed for my job.”*

“This job is my passion; I have been working in this company for 10 years already. It enables me to live and get the basic needs for my family.”

Side jobs and ability to save

Pharma Ltd employees earn a monthly salary that is in general around or above all measured living wages for Rwanda. Both employees explained they were not in need of side jobs, although one of the interviewed employees has a plot of land on which he/she grows crops when the salary is insufficient.

Although both employees are paid above the average in the Rwandan health sector, it appears difficult for them to hold onto money that they can save at the end of the month. The reasons for this could be that employees already have higher expenses for activities they view as basic needs (for example high rent, transport facilities), or the standard of living is high.

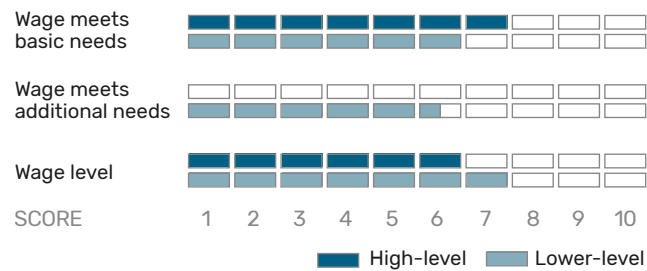
TABLE 9: DETAILS OF PHARMA LTD STAFF – HIGH-LEVEL/ MANAGEMENT AND LOWER-LEVEL EMPLOYEES

	Management	Lower-level
Years employed by company	8	6
% responsible for household income	100%	80%
Bonus	For all employees	For all employees
Overtime payment	For none	For none
Annual wage increase	For all employees	For none
Need to take on side jobs	For none	For all employees
Able to save	For none	For all employees

■ For all employees ■ For none

FIGURE 5: LEVEL OF SATISFACTION WITH SALARY/WAGE ON A SCALE FROM 0-10 AMONG HIGH-LEVEL AND LOWER-LEVEL EMPLOYEES AT PHARMA LTD

* Employee 1 stated that the possibility of meeting additional needs with the current salary was 0/10



SUMMARY

Pharma Ltd management determines salaries and wages mostly on that basis of individual negotiations. This can lead to salary and wage differences between employees working in the same position. Pharma Ltd also increases salaries when the market situation changes. Its main reason for doing this is to retain the best employees. The company believes increasing benefits is more important than increasing wages, to make sure employees are secure to some extent and perform better.

Employees at Pharma Ltd are relatively satisfied with their salaries and wages, and have a high job satisfaction rate. Side jobs are not needed, even though they find it difficult to save. They explain their appreciation of the additional benefits: *“All the benefits give help for a better life and motivate me to perform well. Take, for example, the health insurance for me and my family – it reduces a lot of expenses.”*



Solar Ltd

Solar Ltd management determines salaries and wages¹⁹ based on negotiations, skills, performance, experience, level of education, industry wage levels and retaining staff satisfaction. The market situation is a challenge for the company because of competition from international energy companies. Solar Ltd also invests a lot in training its staff, because the right skills for the work it conducts are rare in Rwanda. The company argues that taxes around salaries and wages are high, and would appreciate more support from the GoR.

SECTOR
LOCATION
FIRM CATEGORY
NON-CONTRACTED/
CONTRACTED WORKERS
PROVIDED JOB BENEFITS

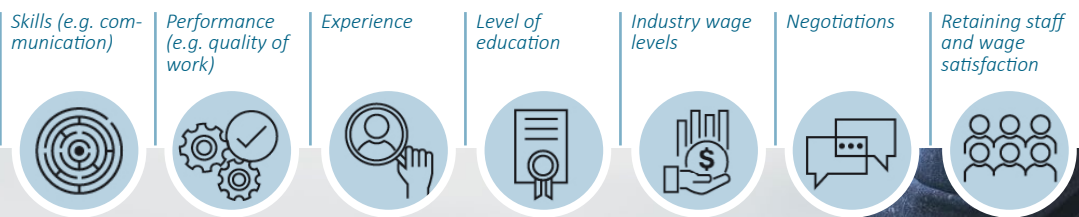
Energy
Kigali, Rwanda
SME
8/23

Communication allowance, transport allowance, pension, general medical aid, facilitate access to financial services, disability cover, free (or subsidised) healthcare, free (or subsidised) healthcare for family members, annual wage increase, bonuses

ESTIMATED VALUE OF BENEFITS

N.a.

DETERMINANTS OF WAGE LEVELS



EMPLOYER

Determinants of wage levels

An important determinant for Solar Ltd is to set salaries and wages that are comparable with other companies in the same sector. The main reason for this is to attract good labour. However, sometimes it is not easy for Solar Ltd to keep up with certain standards in the sector because of competition from international energy companies.

Solar Ltd also invests time and effort in training staff, especially technical staff, as the level of technicians' education in Rwanda is relatively low.

Experience can lead to differences in salaries and wages for employees working in the same position. Solar Ltd, therefore, wants to invest more in the creation of a salary scale to offer standard promotion options: *"The motivation to increase wages would be the competition around; and whenever staff have shares in the company, the performance of Solar Ltd increases."* This shows that increasing salaries and wages is dependent on more than just the performance of the employee; the market situation and the position of Solar Ltd are important indicators as well.

The deliberation against increasing wages for Solar Ltd would be the lack of performance of employees.

Reflection on level of wages (living wages, status quo, etc.)

Solar Ltd believes that a minimum wage for one person cannot go below US\$60 per month. Hence, the company finds the WageIndicator (2018) living wage table for Rwanda realistic.

Solar Ltd argues that the status quo for costs added to salaries and wages are problematic: *"At the moment, maternity leave costs are a problem. We must cover 100% of the maternity leave costs and pay 30% tax on income. The government could look more into that."*

Role of additional benefits

According to Solar Ltd, employees value benefits over a salary/wage increase, especially when it comes to health benefits that include family members. Therefore, the company see it as important to offer them.

EMPLOYEES

Wage and job satisfaction

Figure 6 shows the overall satisfaction rates of three employees within Solar Ltd, with the high-level/management employee having the highest monthly salary and employee 2 the lowest. The Figure shows that all employees are equally satisfied with their salary/wage and what they can achieve with it. All employees receive an annual wage increase. Nevertheless, salaries/wages are not similar. There appears to be no correlation between satisfaction levels and the ability of wage levels to meet basic and additional needs.

Solar Ltd staff have a high job satisfaction rate: *"The employer thought about giving me a promotion from a cleaner to a driver. They also pay 70% of the fee for my language class, which is not stated in the contract."*

"Few companies care about casual labour in the same way that they care about their full-time employees. For example, in my daily rate of pay, they also include an allowance for transport and lunch. If they plan to get safety kits, they also include me. To me this shows that my employer sometimes goes the extra mile."

Employees' reflections on living wages

Employees' perception of the difference between a minimum and a living wage is that the latter is sufficient to meet the basic needs of the employee and the employee's dependants. It also allows one to save for the future, which is not possible with a minimum wage. They explain that a living wage is, however, different for everyone: *"Your life conditions and responsibilities determine your living wage."* In addition, earning a minimum wage leads to stress, according to Solar Ltd employees: *"If what you need is much higher than what you earn, you keep on thinking about that instead of focusing on your job."*

Side jobs and ability to save

Solar Ltd employees earn a monthly salary that, in general, is around or above all measured living wages for Rwanda. In terms of side jobs, one casual labourer explained he/she needed a side job.

Even though not all employees are paid the average salary/wage in the Rwandan energy sector, some employees can save money. One reason is that average salaries/wages in the Rwandan energy sector are higher than in other sectors, so earning below average does not necessarily mean that one earns a low wage. They also mentioned that the benefits they receive from the company ensure that they can save. Overall, there is no relation between salary level and the ability to save (the difference in salary between employee 1 and 3 differs significantly).

TABLE 10: DETAILS OF SOLAR LTD STAFF – HIGH-LEVEL/ MANAGEMENT AND LOWER-LEVEL EMPLOYEES

	Management	Employees	
		Lower-level 1	Lower-level 2
Years employed by company	7	4	7
% responsible for household income	80%	100%	98%
Bonus	■	■	■
Overtime payment	■	■	■
Annual wage increase	■	■	■
Need to take on side jobs	■	■	■
Able to save	■	■	■

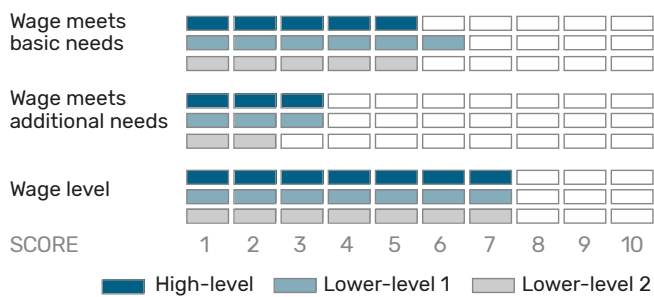
■ For all employees ■ For none

SUMMARY

Solar Ltd management determines salaries and wages mostly based on individual negotiations and the market situation, the latter mainly to attract good labour. The market situation is a challenge for the company, because of competition from international energy companies. Solar Ltd also invests a lot in training its staff, because the right skills for its work are rare in Rwanda. The company also argues that the costs around wages are high and would appreciate more support from the GoR.

All employees are relatively satisfied with their salary/wage levels, even though they are not similar. Job satisfaction rates are high, and employees state that their employer often goes the extra mile for them. They believe that a living wage is dependent on household situations, and that a low wage is undesirable because it can lead to stressful situations. Some employees are able to save, although this is not related to wage levels.

FIGURE 6: LEVEL OF SATISFACTION WITH SALARY/WAGE ON A SCALE FROM 0-10 AMONG HIGH-LEVEL AND LOWER-LEVEL EMPLOYEES AT SOLAR LTD



Hospitality Ltd

Hospitality Ltd management determines salaries and wages²⁰ on the basis of performance, industry wage levels, company revenues and retaining staff satisfaction. When the performance of the company is low, this is reflected in salaries and wages. It spends a lot of time and effort on training employees, since the availability of required skills is low in Rwanda. Hospitality Ltd plans to increase salaries and wages again after the COVID-19 crisis and argues that the GoR should support companies more during this crisis.

SECTOR
 LOCATION
 FIRM CATEGORY
 NON-CONTRACTED/
 CONTRACTED WORKERS
 PROVIDED JOB BENEFITS

Hospitality
Kigali, Rwanda
SME
0/9

Communication allowance, transport allowance, free (or subsidised) food, pension, a company shares scheme for employees, annual wage increase

US\$12/fte per month

ESTIMATED VALUE OF BENEFITS

DETERMINANTS OF WAGE LEVELS

Performance
 (e.g. quality of work)



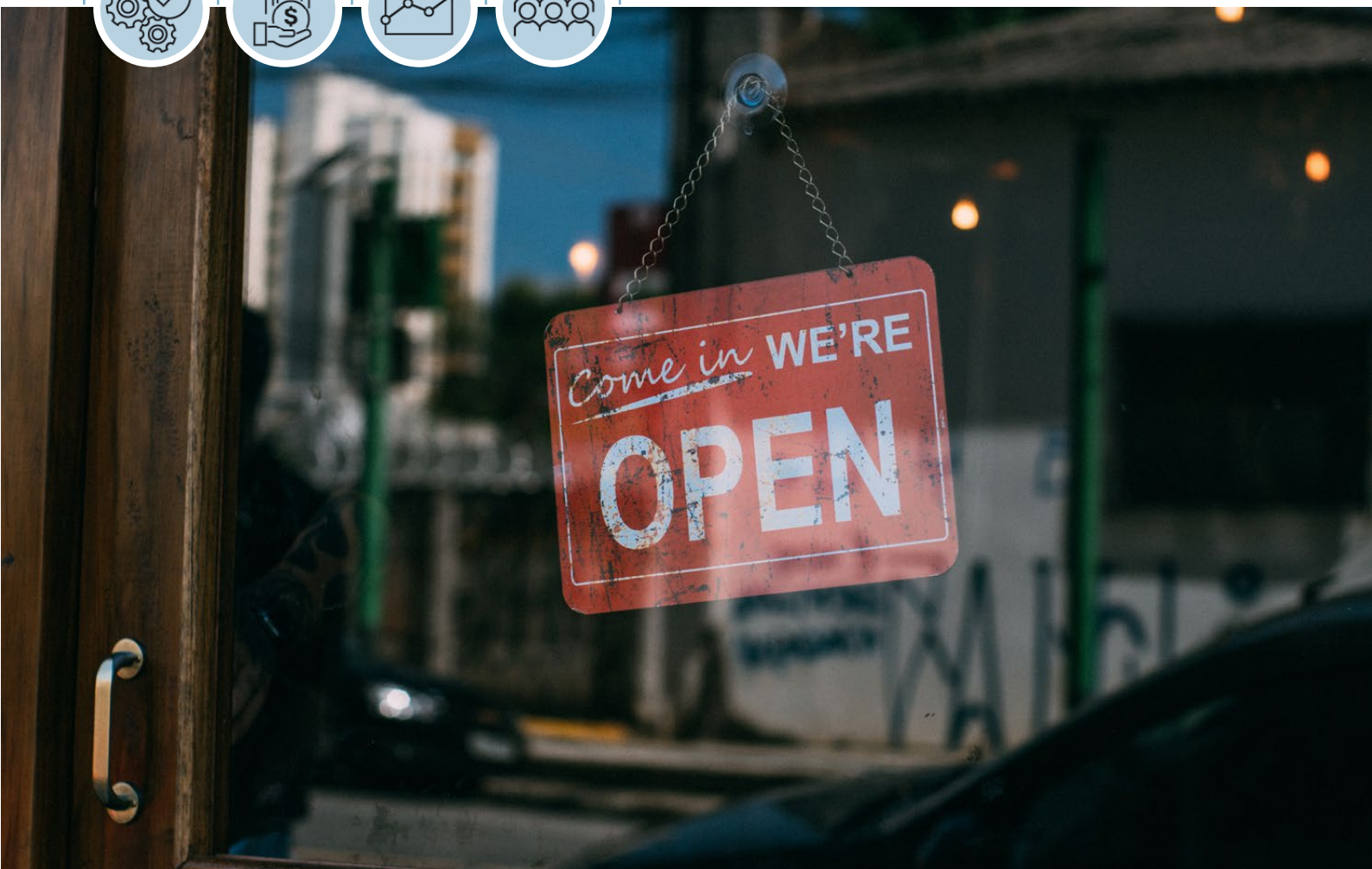
Industry wage levels



Company revenues



Retaining staff and wage satisfaction



EMPLOYER

Determinants of wage levels

An important determinant for Hospitality Ltd to set salaries and wages is to compare each position with equivalent positions in other companies in the same sector. However, salaries and wages highly depend on the economic situation of Hospitality Ltd, which can result in an increase or decrease in salaries and wages. All employees in the same position are paid the same; there is no focus on skills or experience.

Hospitality Ltd also invests time and effort in training staff, as the skills required are rare in Rwanda.

Hospitality Ltd does not pay attention to an employee's personal situation; staff are paid according to performance. However, the employer notices differences between employees with different livelihood challenges: *"I notice that employees with children complained about working longer shifts."*

Salaries and wages are not negotiated, but additional benefits are: *"We negotiated the transport allowance, since many employees complained that it was not high enough. After that, the transport allowance increased."*

Hospitality Ltd does not see deliberations against increasing wages, as it focuses only on increasing wages at the moment. The company finds the salaries and wages it currently pays to be too low. *"We know that we are not paying high enough wages at the moment, and we wish that we could increase them."*

Reflection on level of wages (living wages, status quo, etc.)

Hospitality Ltd has been hit hard by the COVID-19 crisis and lost staff because of the lowering of wages. The justification for increasing salaries and wages now is to keep well-trained staff within the company.

Hospitality Ltd believes that a minimum wage should enable the individual to pay for rent and food, and to save money. Hospitality Ltd finds the tables of Wage Indicator (2018) realistic and according to what the company pays if additional benefits are included. Despite this, the company wants to increase salaries and wages to give staff more opportunities. The company argues, however, that the GoR should do more to support companies in terms of salaries and wages, especially in terms of crises.

Role of additional benefits

According to Hospitality Ltd, providing employees with additional benefits contributes to workers' level of satisfaction at the company. Some allowances are paid in cash, which gives employees the freedom to spend it on an earmarked benefit, or on something else.

EMPLOYEES

Wage and job satisfaction

Figure 7 shows the overall satisfaction rates of three employees within Hospitality Ltd, with the high-level employee having the highest monthly salary and employee 2 (lower-level) the lowest. The Figure shows that overall satisfaction rates concerning salaries and wages and what one can achieve with it are not high. Part of this is explained by the fact that planned wage increases were cancelled because of the COVID-19 crisis. All employees have low satisfaction rates concerning their wage levels. There appears to be no correspondence between salary level and the level of satisfaction at being able to meet basic and additional needs.

The low satisfaction rates shown above are reflected in the job satisfaction rate of Hospitality Ltd staff. This is mainly due to the fact that most employees value money as the most important reason to choose a job: *"My employer has the responsibility of respecting what we agreed on before starting the job and create a good working environment that would allow to motivate me and be more productive. In a year and a half, I have not seen my employer go the extra mile, which may have been affected by COVID."*

Despite the critical reflections of the staff, most of them also chose their job because they are passionate about it: *"I decided to get a job as a barista, with which I hoped to be able to save and in future start my own business."*

Employees' reflections on living wages

Employees' perception of the difference between a minimum and a living wage is that a living wage should enable employees to provide sufficiently for basic needs and the people that person is responsible for. It also allows one to save for the future, pay for health insurance and find a better school for their children. In addition, a minimum wage does not reflect the work one does: *"The minimum wage is an amount of money you get, which is not proportional to the work you do."*

Side jobs and ability to save

Hospitality Ltd employees earn a monthly salary or wage that is in general around or below measured living wages for Rwanda. One of the interviewed employees explained he/she needed a side job.

Even though all employees are paid above the average for the Rwandan hospitality sector as a whole, none of the three employees mentioned that they can save money. One reason is that average salaries and wages in the hospitality sector are lower than in other sectors, while all employees live in an expensive city, so earning above average does not necessarily mean that one earns a high salary or wage. Overall, even though salaries and wages vary between employees, there is no correlation between salary level and the ability to save.

TABLE 11: DETAILS OF HOSPITALITY LTD STAFF – HIGH-LEVEL/MANAGEMENT AND LOWER-LEVEL EMPLOYEES

	Management	Employees	
		Lower-level 1	Lower-level 2
Years employed by company	1.5	2	2
% responsible for household income	75%	100%	99%
Bonus			
Overtime payment			
Annual wage increase*			
Need to take on side jobs			
Able to save			

■ For all employees ■ For none

* Hospitality Ltd employees did not receive a wage increase because of COVID-19 (company opened in 2019)

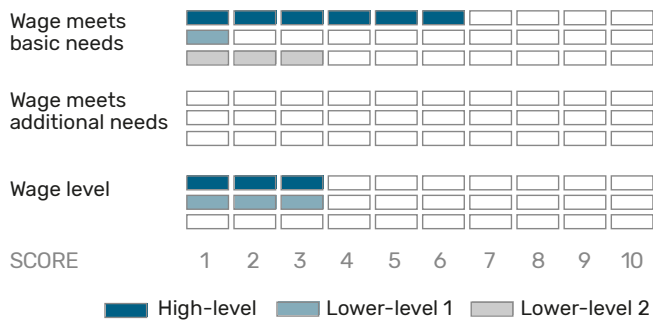
SUMMARY

Hospitality Ltd management determines salaries and wages mostly on the market situation. When the performance of the company is poor, this is reflected in wages. It spends much time and effort on training employees, since the availability of required skills is low in Rwanda. Hospitality Ltd plans to increase salaries and wages again after the COVID-19 crisis and argues that the GoR should support companies more during this period of crisis. The main reason for the company to provide for additional benefits is to increase the satisfaction rate of employees.

In general, employees at Hospitality Ltd are critical of salary/wage levels. Planned annual salary/wage increases were cancelled, which left employees dissatisfied. Despite the critique, most employees are passionate about working at Hospitality Ltd. Earning a living wage would mean, among other things, that employees could save, which is not possible for them at the moment. Earning a relatively low wage, given the cost of living in Kigali, makes saving difficult.

FIGURE 7: LEVEL OF SATISFACTION WITH SALARY/WAGE ON A SCALE FROM 0-10 AMONG HIGH-LEVEL AND LOWER-LEVEL EMPLOYEES AT HOSPITALITY LTD

* All employees stated that the possibility of meeting their additional needs with their current salary was 0/10. The wage satisfaction of employee 3 was 0/10





TRAIDE