

COVID-19, an eye-opener to absolute need for improving the economic and social welfare of informal and casual workers in Rwanda

Jordi-Michel MUSONI

Abstract

The informal sector and casual workers constitute the majority of labor force in Rwanda, and estimated slightly over 80% of off-farm employment as a result of shortfalls in job creation since the majority of jobs created lie in Micro, Small and Medium Enterprises (MSMEs) and small holder agricultural occupations with low earnings and employment vulnerabilities¹. COVID-19 has exposed the vulnerability of informal workers who suffered immediately after the lockdown and other confinement measures began. Agriculture activities continued² as other essential services; farmers and foodstuffs producers estimated to 53.1%³ of no registered jobs continued activities. According to DFID⁴, the lockdown was expected to reduce the earnings/consumption for the most heavily impacted groups by almost 100%. Those are 60% of the population, relying on casual wage labour and household enterprises for large portion of their income.

1. Introduction

The informal sector covers the majority of the labor force in Rwanda. But the Labor law recognized the informal workers just recently in 2018⁵ and the enforcement measures were still at an early stage. This situation made the informal workers vulnerable and unable to cope with any crisis like the Covid-19 pandemic, because they were victims of longtime precarious and inadequate working conditions.

The Covid-19 pandemic restricted the movement of people and caused critical subsistence for the informal sector and casual workers who earn their income on daily basis. This has definitely affected the national economy because many businesses closed or lost income, consequently causing massive job losses. Before COVID-19, the working conditions for informal sector workers were already critical.

In the situation of the lockdown that lasted for many days and the uncertainty of reemployment of off-farm workers, their socio-economic conditions were daily worsening. As the supply chain system is affected, farmers activities that continued during lockdown were also partially affected.

¹ https://mifotra.gov.rw/fileadmin/user_upload/final_revised_national_employment_policy.pdf p.12

⁵ currently SDGs (Sustainable Development Goals).

² https://www.primature.gov.rw/index.php?id=43&no_cache=1&tx_drblob_pi1%5bdownloaduid%5d=783

³ https://mifotra.gov.rw/fileadmin/user_upload/final_revised_national_employment_policy.pdf p.12

⁴ <https://www.africa.undp.org/content/rba/en/home/blog/2020/a-digital-platform-to-support-the-most-vulnerable.html>

⁵ https://www.mifotra.gov.rw/fileadmin/news_import/new_labour_law_2018.pdf (art.2, al.6) p.20

This Policy brief highlights the loopholes and identifies opportunities to deeply explore as immediate response even though the implementation can gradually be phased. It also recognizes the existing favorable national and international frameworks, identifying existing gaps and, more importantly, recommending policy modifications to be prioritized.

Rwanda just as the whole world, is suffering of effects of COVID-19 to the national socio-economic, health and political situation, with loss of lives, rising number of infection cases, and many businesses affected causing massive job losses.

After the 1994 Genocide against the Tutsi, the country has established socio-economic policies, business development mechanisms and strategic reforms were carried on in the framework of Vision 2020 and its two implementing strategies: EDPRS (Economic Development for Poverty Reduction Strategies), and MDGs (Millennium Development Goals)⁵ Further strategies like the National Strategy for Transformation (NST1), Agenda 2030, Agenda 2063 and more also come. As a result, many targets were met, and the national economy considerably improved. But a question remains: does this national economic progress reflect the improvement of livelihoods and universal social protection of citizens?

How can we evaluate the consistent economic growth of Rwanda in the last two decades in comparison to the citizens' lives? If reality proved that the majority of workers in Rwanda needed help of food and other health basic needs during the lockdown, what went wrong? Is there hope for recovery to a steady, inclusive and sustainable socio-economic growth?

This policy brief will show that COVID-19 can be an eye-opener for global and national economic and social partners to the urgent need and existing opportunities that can help address the challenges which caused off-track delivery of existing policy in order to improve the livelihoods of informal sector workers in general.

2. Describing in brief the approach and the results

Rwanda has adequately responded to the COVID-19 outbreak and took measures to contain the pandemic and stop its propagation in the country. Due to the ways of contamination, lockdown was inevitable in addition to other health guidelines. Many businesses and employment in general were affected, causing massive job losses and insecurity. Due to various reasons, the casual and informal workers started suffering from hunger and loss of basic safety needs in the first week of the lockdown.

For the last two decades, The Government of Rwanda put more efforts mainly in creating many jobs and increasing the employment rate among other ways to reduce poverty and improve the national socio-economic development.

For that purpose, good policies and laws were established, many jobs were created and poverty reduced to a relatively noticeable level. But there are very important parameters that were not considered or given required value. We will briefly review the existing works, documents and evaluate the reality as listed below:

2.1. Policy challenges

2.1.1. Creating many jobs is good but the quality of those jobs is far more important: The creation of jobs in Rwanda has considerably contributed to the national economy but the COVID-19 pandemic did expose the imperfections of the existing jobs. Informal sector and casual workers are not in general the beneficiaries of basic labor rights such as social protection, employment contracts, health insurance, paid sick and annual leaves, decent wages etc. Due to confinement and limited movements, this category of workers was already suffering in the first week because they had nothing saved in their pockets that could help them survive. Decent jobs are very important to give access to a dignified life for all workers, contribute to inclusive economic growth and resist to any socio-economic shock

2.1.2. Loss of jobs and loss of income during the COVID-19 crisis and afterwards: The effects of COVID-19 affected the economy in general but most seriously the MSMEs and low-income self-employed workers. In the period of lockdown and restriction of movements, informal workers who generally have precarious jobs, could hardly earn anything while remaining at home. A very small number of workers remained employed under the ‘no work no pay’ condition. Even after some activities resumed, many companies continued to struggle financially in the recovery period, deciding many workers layoffs.

2.1.3. Vulnerability to any socio-economic shocks: In the situation of lockdown and all families staying at home, the expenses increased while the income reduced; social conflicts arose, other diseases were inevitable and gender-based violence cases were noticed. When the lockdown measures were softened and some activities resumed, children who are still waiting for schools to re-open are victims of many abuses and child labor especially in the sectors like mining, agriculture, domestic work etc. The more they are impoverished, the more they are vulnerable to various socio-economic problems.

2.1.4. High risk of contamination of Covid-19 for workers in essential services other than health services and their families: The Government has done well to provide appropriate personal protection equipment (PPE) to the health sector workers.

But workers of some other essential services where informal and casual work continue, like long distance truck drivers, cleaners, supermarket workers, market vendors etc. are also exposed to COVID-19 infection but are not properly protected. Many truck drivers were tested positive and transmitted the virus to some of their family members.

2.2 Policy Options

2.2.1. Easy access to finance for Micro, Small and Medium Enterprises (MSMEs) and various businesses: The Government of Rwanda has established the Economic Recovery Fund (ERF) to financially support businesses adversely affected by COVID-19⁶. One of the main objectives of the fund is to preserve jobs and contribute to the recovery of the economy.

⁶ http://www.minecofin.gov.rw/index.php?id=12&tx_ttnews%5btt_news%5d=768&chash=bbd58c6244679f3f2fc07b3ebfe68ee4

This is a tremendous opportunity for business operators in all levels especially the MSMEs that employ many peoples. Eligibility should be softened in order to be accessible by as many businesses as possible. Many informal businesses may face challenges to meeting requirements and not apply for this fund; in this regards, Banks and financial institutions would flexibly and proactively approach their affected good clients for providing recovery loan.

2.2.2. Strengthen and extend social security system and savings policy to informal workers:

Rwanda has established policies and laws regulating long-term savings. The Rwanda Social Security Board (RSSB) manages the social security system including statutory long-term savings, pension, and medical schemes for both formal and informal workers. There is also voluntary savings opportunity under “Ejo Heza” scheme⁷ which is more attractive to informal workers as they are rarely covered by the formal social security system. The government should put more effort into this opportunity and reinforce the existing system by extending it to as many informal workers as possible. In addition to this, a mechanism of compulsory savings on each earnings should be established and enforced in informal sector, because COVID-19 outbreak showed that greater amounts of savings are always very helpful. Universal social security and saving capacity would enable informal workers resiliency to any socio-economic challenges like COVID-19.

2.2.3. Reinforce and upgrade the role of Trade Union and Civil Society Organizations as key social partners:

In Rwanda, the right to freedom of association⁸ is allowed for all workers including informal sector workers. In the framework of a tripartite consultation of social partners (sometimes including civil society organizations), Trade Unions need to be equally much visible like the Private Sector Federation (PSF) in order to ensure inclusive socio-economic policies. Workers’ representatives need to be empowered and have more bargaining power in order to make their voice heard.

PSF plays a double role: representing businessmen and employers ‘organization and has immensely contributed to the growing creation of jobs⁹ (in terms of quantity). Trade Unions must equally play their role, transforming these jobs into decent jobs for dignified individual lives with (in terms of quality) and improved working conditions that guarantee the respect of fundamental labor rights for all.

2.2.4. Promotion of decent work through social dialogue practices:

The COVID-19 outbreak has displayed the reality that many workers’ finances are unstable. That can be a reason why savings were somehow difficult for them especially those informal workers having precarious jobs. As the current Labor Law covers also workers in informal sector, it is an opportunity to promote of social dialogue practices and collective bargaining in all sectors to find out ways the jobs can be improved. Collective bargaining between workers and employers will be conducted in order to secure sectorial minimum wages as alternative to the lack of national minimum wage policy. Through the same framework, basic labor rights and better working conditions can be

⁷ <https://www.rssb.rw/index.php?id=16>

⁸ https://mifotra.gov.rw/fileadmin/news_import/new_labour_law_2018.pdf, art.83; p.76

⁹ https://mifotra.gov.rw/fileadmin/user_upload/final_revised_national_employment_policy.pdf p.27

negotiated including employment contracts, paid leave, social security, health insurance, access to loans etc. It will give workers and employers, the opportunity to tailor their employment relations increasing productivity on the side of employers and consequently improving working conditions on the side of workers.

2.2.5. Formalization of informal economy: The majority of workers in Rwanda are in non-wages employment¹⁰. The lack of universal social protection not only, shows a general negative image in regard to the respect of fundamental labor rights. It also causes a huge income loss for the Government in regard to the taxes and other domestic incomes that the workers should pay if they were formally registered. The formalization of the informal economy is beneficial to all role players in many ways. Since the National Employment Policy (NEP) plans to address this issue through integration of employment issues in macro-economic policies and investment strategies¹¹, the Government can use the above mentioned ERF and other financial opportunities to provide attractive incentives and advantages to the businesses shifting from informal to formal economy.

3. Conclusion

The Government of Rwanda has continued to establish good policies and laws in order to implement socio-economic and political strategies aiming at boosting the development of the country in the aftermath of the 1994 Genocide against the Tutsi. For the last two decades, employment opportunities have been created with a significant contribution to consistent economic growth. However, the majority of jobs created are not good quality jobs.

When COVID-19 struck the country, it seriously affected the informal sector workers especially off-farm workers and exposed their socio-economic vulnerability because they were not capable of an adequate financial and social response. It is a sad reality. Fortunately, some weaknesses and policy gaps were identified and exposed. As possible solutions, a multilateral collaboration of the Government and socio-economic and development partners through social dialogue practices was proposed to transform all jobs into better quality jobs for better and sustained living conditions of all informal sector workers.

Facilitation of access to finance and formalization of informal economy would also contribute to increase job opportunities, improve working conditions of all informal workers and increase Government taxes and domestic incomes.

4. Recommendations and potential implications

4.1. Time for SDG 8: [what is it?]: This goal is about decent work and economic growth. It falls exactly into the urgent priorities of the post COVID-19 recovery strategy. The need for productive and decent jobs is required in order to contribute for economic growth. This SDG 8 has special capacity to interlink with most of the other 16 SDGs.

¹⁰ https://www.mifotra.gov.rw/fileadmin/user_upload/final_revised_national_employment_policy.pdf p.12

¹¹ https://mifotra.gov.rw/fileadmin/user_upload/final_revised_national_employment_policy.pdf p.12

It contains many development targets on decent work, social protection, occupational health and safety, equitable share of wealth etc. The Government is called on to renew the social contract with its citizens by providing adequate and inclusive living conditions regardless of social classes. Practically, social partners have to meet again and promote decent work through social dialogue that will establish adequate minimum wage, policy, social protection system suitable for all, pension and long-term savings, health insurance and better working conditions.

4.2. The Strategic reforms in employment relations: Rwanda has successfully reformed many economic and development sectors. Consequently, the creation of jobs has boomed for the last two decades. But these jobs need to be transformed into decent jobs that give value and dignity to the beneficiaries. The RDB managed to reform the Doing Business in Rwanda and enabled the creation of many jobs. Likewise, the Ministry of Public Services and Labor has to do the same in order to bridge the practical gaps in policies to enable informal workers enjoy their working conditions and contribute to economic growth. For one example of such gaps, PSF core mandate is to represent business community¹² not employers 'organizations but the practice testifies to the contrary. This makes tripartite consultations and employment regulations complicated. In other East African Member States, there are Employers' Organizations united in East African Employers Organizations (EAEO)¹³. Rwanda also needs a distinct Employers' organization capable of representing their interests in tripartite consultations and other employment policy frameworks because PSF does not qualify for that. As an incentive to social dialogue promotion, Companies that conclude collective bargaining agreements with workers would be rewarded.

4.3. Formalization of informal economy through finance opportunity: The Government should put in place measures and incentives that would encourage informal businesses to formally register and comply with formal economy requirements. In this period of economic recovery, the ERF can be one of the enabling factors by providing finances in this COVID-19 crisis as all informal businesses need more funding. Requirements need to be clear and affordable in order to benefit to as many as possible. Currently, the eligibility to the ERF might be doubtful for some MSMEs as they generally hardly keep accurate records of their administrative and finance operations.

For that reasons, flexibility for informal businesses wishing to move to formal companies should be encouraged and taken as an exception. Workers should also be represented into the ERF High Level and Technical Steering Committees as the Employers also are represented by PSF¹⁴; in order to ensure their interests are safeguarded.

¹² <https://www.psf.org.rw/about/>

¹³ <http://www.eaao.or.tz/membership/>

5. References

<https://www.africa.undp.org/content/rba/en/home/blog/2020/a-digital-platform-to-support-the-most-vulnerable.html>
(Accessed on 6 August 2020)

<http://www.eaeo.or.tz/> (Accessed on 14 July 2020)

https://mifotra.gov.rw/fileadmin/news_import/New_Labour_Law_2018.pdf (Accessed on 19 June 2020)

https://mifotra.gov.rw/fileadmin/user_upload/FINAL_REVISIED_NATIONAL_EMPLOYMENT_POLICY.pdf
(Accessed on 18 June 2020).

http://www.minecofin.gov.rw/fileadmin/templates/documents/Reports/Economic_Recovery_Fund-Operational_Guidelines/Economic_Recovery_Fund_-_Operational_Guidelines.pdf. (Accessed on 06 August 2020).

http://www.minecofin.gov.rw/fileadmin/user_upload/MINECOFIN_Documents/NST_A5_booklet_final_2.04.19_WEB.pdf (Accessed on 19 June 2020)

[http://www.minecofin.gov.rw/index.php?id=12&tx_ttnews\[tt_news\]=768&cHash=bbd58c6244679f3f2fc07b3ebfe](http://www.minecofin.gov.rw/index.php?id=12&tx_ttnews[tt_news]=768&cHash=bbd58c6244679f3f2fc07b3ebfe)

(Accessed on 19 June 2020)

https://www.primature.gov.rw/index.php?id=43&no_cache=1&tx_drblob_pi1%5BdownloadUid%5D=783
(Accessed on 6 August 2020)

<https://www.psf.org.rw/about/> (Accessed on 15 July 2020)

http://www.minecofin.gov.rw/fileadmin/templates/documents/Reports/Economic_Recovery_Fund-Operational_Guidelines/Economic_Recovery_Fund_-_Operational_Guidelines.pdf pp.9-10

<https://www.rssb.rw/index.php?id=16> (Accessed on 19 June 2020)

Author:

Jordi-Michel MUSONI, Trade Union activist, jordimusoni@gmail.com, + 250 788 307 934

The views expressed in this policy brief series are not necessarily those of EPRN and or the Friedrich-Ebert-Stiftung (FES Rwanda).