
ANKER LIVING WAGE REFERENCE VALUE



**RURAL
RWANDA
2020**

LIVING WAGE

**RWF 147,111
PER MONTH
(US\$160)**

Anker 
Research
Network

GLOBAL 
LIVING WAGE
COALITION

The Anker Reference Values are endorsed by the Global Living Wage Coalition (Fairtrade International, Rainforest Alliance, Social Accountability International and ISEAL Alliance). Development of the methodology was initiated and supported by Fairtrade International and German Federal Ministry for Economic Cooperation and Development (BMZ). Further support was received from Rainforest Alliance, Social Accountability International and Clif Bar & Company.



Anker Living Wage Reference Value¹

Rural Rwanda 2020

1. Anker Living Wage Reference Value for Rural Rwanda in 2020

The Anker Living Wage Reference Value for 2020 for rural Rwanda is RWF 147,111 per month (USD 160)² with a 95% confidence interval around it from RWF 130,006 to RWF 166,157. This is the wage required for workers to be able to afford a basic but decent living standard in a typical rural area of Rwanda. The Reference Value is comprised of a net living wage (i.e. take-home pay) of RWF 111,813 (USD 121) per month plus RWF 35,298 (USD 38) which would need to be paid by law in social security (RWF 4,855) and income tax (RWF 30,443) on the living wage³.

“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.” (Global Living Wage Coalition).

2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on a new methodology developed by Richard Anker, Martha Anker, and Ian Prates. This methodology is based on a statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing quality-assured Anker living wage and living income benchmark studies and are easy to update every year, and so are especially valuable for countries where it has not yet been possible to organize and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Wage Reference Values represent a living wage for typical families in rural (urban) areas of low- and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (urban) areas of a country which is generally around +/- 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (urban) locations, the margin of error is likely

¹ Prepared by: Sally Smith, Richard Anker, Martha Anker and Ian Prates

² Exchange rate used to convert to US dollars is 920.5. This is the average exchange rate for the three-month period from November 2019 to January 2020 according to IMF data.

³ There is a mandatory payroll deduction by law of 3.3% for social security and an income tax of 20% on income between RWF 30,001-100,000 and 30% on income above RWF 100,000.

to be larger for unusual locations with atypical living costs within a country such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

3. Country context

Geography and demographics

Rwanda is a small, landlocked country in Central Africa which shares borders with the Democratic Republic of the Congo, Burundi, Tanzania, and Uganda. It has a temperate climate and a rugged terrain mostly comprised of grassy uplands and hills.

There are around 13 million people living in Rwanda and it is one of the most densely populated countries in Africa. Although there has been significant progress in reducing fertility rates over the past two decades, the population is still growing at around 2% annually due to women having an average of 4 births (in 2017) and 60% of the population being under 25. With approximately 8 in 10 of people living in rural areas, population growth is putting pressure on natural resources and hampering efforts to prevent environmental degradation.

Economy

Rwanda is a low-income country with a gross national income per capita of \$1,954 in international dollars (PPP) and \$780 in USD in 2018, putting it among the 20 poorest countries in the world. Its fragile economy was decimated by the 1994 genocide and civil war but has since grown beyond pre-war levels, driven by public investment, support for the private sector, and steady foreign aid inflows. Real GDP increased by an average of 7.1% per year from 2009-2019, according to the IMF, and is expected to continue growing by 7-8% in the next five years. Inflation has averaged 3.7% annually over the last 5 years and is projected by the IMF to be around 5% for 2020-2024.

Rwanda has a rural, agrarian economy with agriculture accounting for about 29% of GDP and 66% of employment. Coffee, tea, minerals, and tourism are Rwanda's main sources of foreign exchange. The World Bank ranked Rwanda 38th in the world and second in Africa (after Mauritius) for 'ease of doing business' in 2020, but private sector growth is hampered by low domestic savings, skills shortages, and the high cost of energy.

Poverty

According to official statistics, the poverty rate in Rwanda decreased from 58.9% of the population in 2000/2001 to 38.2% in 2016/2017 (using the national poverty line). Nevertheless, over a third of people are still below the poverty line and 16% are classed as extreme poor. Using the World Bank \$1.90 (PPP) poverty line for low-income countries, 55.5% of people in Rwanda are classed as poor.

Poverty rates are higher in rural areas than in urban areas at the national poverty line. 43.7% of people in rural areas are poor and 18.1% are extreme poor compared to a 15.8% poverty rate and 5.8% extreme poverty rate in urban areas. With the exception of Kigali City, there is some,

but not a great deal of, variation in poverty rates across Rwanda. Western Province has the highest poverty rate (47.1%), followed by Northern Province (42.3%), Southern Province (41.4%), and Eastern Province (37.4%), with Kigali City having a far lower poverty rate (13.9%).

Standard of living

Social outcomes in Rwanda improved markedly between 1995 and 2018, albeit from a low base. For example, life expectancy at birth increased from 31 years to 69 years; under 5 mortality decreased from 244 per 1,000 live births to 35; and the expected years of schooling increased from 6.2 years to 11.2 years. However, only 1 in 5 children in rural areas and 1 in 10 children in the poorest quintile of households attend secondary school. Likewise, living conditions in rural areas have improved, particularly when it comes to access to clean water and sanitation, but 73% of rural households still do not have electricity, only 19% of rural dwellings have cement or other modern flooring, and 95% of rural households cook with wood rather than cleaner fuels.

As part of post-genocide efforts to create a socially cohesive society, Rwanda has made a strong commitment to gender equality and the empowerment of women. It was ranked 95 out of 162 countries in UNDP's Gender Inequality Index for 2018, the highest of any country in Sub-Saharan Africa, although this result is skewed by the exceptionally high proportion of parliamentary seats held by women (56%). It has achieved gender parity in expected years of schooling, invested heavily in women's sexual and reproductive health, and revised laws to provide for equal pay for work of equal value, protection for pregnant and nursing mothers, and paid maternity leave, and to give women equal rights with men to own and inherit property. However, customary norms, values and practices often undermine women's statutory rights, particularly in rural areas.

Labor market

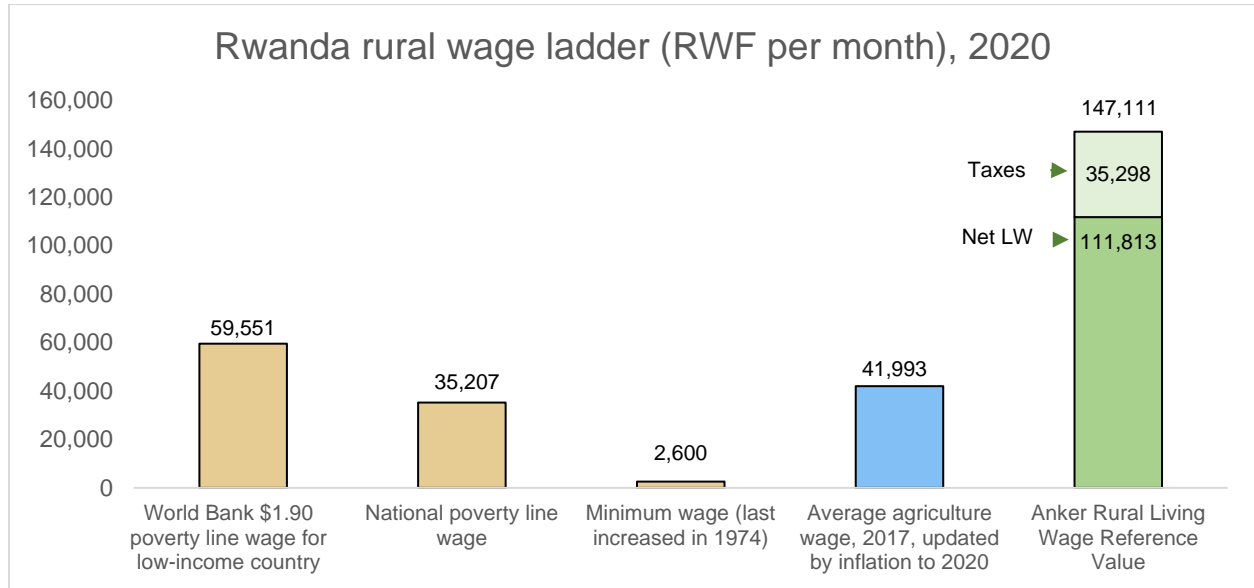
Labor force participation rates for males and females ages 15+ are high at 83.4% and 83.9% respectively (ILO modeled estimates for 2019). However, unemployment rates and time-related underemployment rates are also high in Rwanda, a principal reason being that many people are dependent on rainfed agriculture for their livelihood.

4. Wage ladder and gaps to a living wage, rural Rwanda

Figure 1 below provides a wage ladder for rural Rwanda and so context on gaps to a living wage. It compares the Anker Living Wage Reference Value for rural Rwanda to four other wage indicators. The Anker Living Wage Reference Value is much higher than all four of these wage comparators. It is 2.5 times the World Bank \$1.90 poverty line wage and 4.2 times the national poverty line wage. The Reference Value is 3.5 four times the average wage agriculture wage for 2017 updated by inflation to 2020. It is 57 times the national minimum wage, but this reflects the fact that the minimum wage has not increased since 1974 and so is meaningless. Part of the reason why the Anker Living Wage Reference Value is so much higher than the four wage indicators is because workers in Rwanda would need to pay considerable taxes (24%) if they earned a living wage. Given the relatively small variation in poverty rates across Rwanda (see

above), the Anker Living Wage Reference Value for rural Rwanda should be reasonably similar across rural Rwanda although it might be a little too high Western Province and a little too low for Eastern Province. To better understand and measure location-specific living wage gaps within Rwanda, further analysis and quality-assured Anker methodology studies are required.

Figure 1



Notes: ^a Rwanda's poverty line, which is expressed in adult equivalent consumption units, was converted into a per person poverty line using the government's age and sex-specific equivalence scale (children 0.89 of an adult age 25-59). The national poverty line was set in 2014. It would be around 23% higher if it were increased by inflation since 2014 according to IMF inflation data. ^b The World Bank poverty line wage for Rwanda was estimated using the World Bank poverty line for low-income countries (1.90 PPP) using a formula suggested by the World Bank, latest available PPP from the World Bank (2018), and inflation rate data from the IMF for Rwanda and the United States. ^c Family size of 5 (2 adults and 3 children) was used for expositional purposes to estimate the national poverty line wage and the World Bank poverty line wage. This family size is in between: (i) average household size in rural Rwanda of 4.4 when single-person households (that definitely do not have children) and especially large households with 9+ members (that probably have more than 2 potential workers) are excluded, and (ii) family size of 6 implied by the child mortality-adjusted total fertility rate of 4.0 in rural areas (based on rural total fertility rate of 4.3 and U5MR child mortality rate of 70 according to 2014-15 Demographic and Health Survey, DHS). ^d Number of full-time equivalent workers per family of 1.69 is used for expositional purposes to estimate poverty line wages. This was estimated based on data on labor force participation rates, unemployment rates, and part-time employment rates for rural Rwanda from ILOSTAT and the National Institute of Statistics Rwanda (NISR) Labor Force Survey 2018. ^e The Anker Living Wage Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage benchmark studies). ^f Taxes on a living wage include income tax of 20% on income between RWF 30,001-100,000 and 30% on income above RWF 100,000 and a 3.3% social security tax which covers pensions (3%) and maternity benefits (0.3%). ^g Minimum wage was last increased in 1974 which is why it is so low that it is meaningless.