



# Impact of COVID-19 on economic activity and workers' wellbeing in Uganda

Postscript to Living Wage Report Rural Lake Victoria Basin, Uganda. May 23, 2020

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*“The coronavirus has major consequences for the floricultural industry and for the Ugandan population. In Africa, people have nothing to fall back on.” - Olav Boenders, CEO, Wagagai<sup>1</sup>*

As with the world at large, the onset of the COVID-19 pandemic has also had grave consequences for the fortunes and wellbeing of working populations in Africa. Many workers have lost their jobs and incomes to support themselves and their families. The floriculture sector in Uganda is no exception and the welfare of many of the workers is at the mercy and generous understanding of the companies that employ them. There are some farms that have paid workers their due stipends for April but for how long they can continue to do so is unclear. The country went into a “lockdown” in early April and given the restrictions that this placed on physical movement, some farms decided to quarantine a critical mass of workers within the farms to continue with the work. What this critical mass constitutes varies across farms. One major farm reported employing only one-quarter of their usual workforce.<sup>2</sup>

So, it comes as no surprise that the farms are operating at significantly lower capacities. The fortunes of the farms are largely determined by the demand for flowers and cuttings, which are in the main shipped to Europe. This demand has waned considerably in the aftermath of the imposed lockdowns in western European countries, particularly the Netherlands, which receives 90% of the output of the sector's operations in Uganda. Consequently, this adversely affects floriculture activities in Uganda. Indeed, we note that the rose growing farms – providing in a sense a luxury product - have felt the impact of the stunted demand disproportionately with exports declining by 80% to 90%.<sup>3</sup> The cuttings farms are faring relatively better because at the moment they are heading into a slack period, having already shipped pot plants and bedding plants. But here as well, chrysanthemums cuttings have been hit by a lower demand and some farms have planted poinsettias that they hope to ship in June and July. What the future holds will depend on how the situation in Europe changes.

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<sup>1</sup> “In Africa, people have nothing to fall back on” (Interview with Olav Boenders, CEO, Wagagai) <https://www.hortipoint.nl/floribusiness/in-africa-people-have-nothing-to-fall-back-on/>

<sup>2</sup> “Lockdown affects Dutch growers in Uganda” <https://www.agroberichtenbuitenland.nl/actueel/nieuws/2020/04/28/lockdown-treft-nederlandse-kwekers-in-uganda>

<sup>3</sup> Ibid

It should be kept in mind, as mentioned in the Uganda rural living wage study focused on the horticulture industry, there was already a downturn in the sector and this had invited considerable structural change in the face of fierce competition. Many farms—particularly rose-growing farms—were struggling to stay afloat and had experienced considerable falling-off in their profit levels even before the pandemic hit. One farm that we visited was already diversifying operations by moving part of their output away from flowers and into the production of herbs. Such farms would have borne the brunt of measures undertaken to combat the pandemic. To what extent can they recover, if and when things return to a normalcy? Their recovery is crucial to employments and well-being of workers and their families.

There has been a partial lifting of the lockdown in Uganda since 5 May 2020 and from some reports, it is understood that agricultural activities are no longer affected by restrictions.<sup>4</sup> But given that the responses to the changing situation are determined by external demand for the products of the flower farms, which has been falling, it would seem premature to suggest that all flower farms' workers will be returning to their old employment levels. This seems a highly unlikely outcome, at least in the short run, and one should, in all likelihood, expect a downturn in the livelihoods of workers in the flower farms to some degree. To what extent and how quickly the demand for flowers and cuttings is likely to improve is, at the moment, pure conjecture.

Given the situation, sketching a scenario for future developments is indeed fraught with considerable uncertainty, and remedial options are not particularly forthcoming, when it comes to devising measures to protect workers from falling into a situation of egregious poverty, as few alternatives exist. The present state of affairs is further compounded by the fact that there is also no institutional protection for the flower farm workers "as workers receiving a monthly wage are excluded from government food support and cannot access their pension savings."<sup>5</sup>

Under the circumstances, a 'social dialogue' has been initiated between Uganda's Horticultural, Industrial, Service Providers and Allied Workers' Union (UHISPAWU) that represents the flower farms' workers and the managements of the flower farms to provide contingency support to the workers to avert destitution. A promising feature of this dialogue has been the cordial atmosphere of exchange of views, accommodating an understanding of each other's concerns. Critical to this is ensuring that workers do not lose their employments, but maintain their employment status in the event of any improvement in the situation. However, they are currently expected to take pay cuts and participate in work-sharing schemes, although some farms have taken unilateral measures to support workers through provision of food and small financial payments.<sup>6</sup> They have also allowed free access to their clinics, at their own

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<sup>4</sup> "BREAKING! Uganda partially lifts Coronavirus lockdown"

<https://www.pmldaily.com/news/2020/05/breaking-uganda-partially-lifts-coronavirus-lockdown.html>

<sup>5</sup> "International Labour Day: Recognising the importance of collaboration between Union representatives and employers in Uganda" <https://www.fairtrade.net/news/international-labour-day-recognizing-the-importance-of-collaboration-between-union-representatives-and-employers-in-uganda>

<sup>6</sup> *ibid*

cost, to workers and their family members in need of health care. Certifiers, such as Fairtrade International, have allowed certified farms to use 100% of their premiums to alleviate the unfavorable situation of workers.<sup>7</sup>

The present situation, with the contraction in the earnings and profits of the flower farms, renders the objective of achieving a living wage improbable in the foreseeable future; at least, until there is an economic rebound and the state of affairs acquires some degree of normalcy. Even then, it would depend greatly on how the general 'rebound' will affect the flower farms. The employments in the farms will depend on how future demand for the products of the farms shapes up. An accretion in the new demand would put the sector back on the road to growth where realization of a living wage for workers could be possible to achieve, while low demand would spell further economic difficulties that may even suggest a diminution in employment levels let alone payment of a living wage. Restoration of the status quo of last year would signal a considerable improvement over the present situation.

Nevertheless, in this climate of depression and discouragement, the protection of workers and their families is imperative. It is not only what social justice demands but it also makes economic sense for the farms to have at their disposal a robust and productive workforce for when demand returns. In this regard, the social protection measures taken by farms should be lauded, but this is not an issue that should be in the purview of employers only. Social dialogue initiatives need to be taken very seriously, where a decent balance is achieved between the parties (i.e. the employers, workers and the government) for the economic health of the flower farms, for the livelihoods of the workers in the farms, and for the benefit of the national economy.

A crisis of this magnitude will have lasting impacts on the landscape of employment in Uganda. Even months from now, as a sense of 'normalcy' is regained and employment rates begin to bounce back, the aftershocks of the pandemic-related employment crisis will pose a significant threat to employment structures and to the working population in the country. Consideration must be given to what impact this unprecedented level of unemployment will have on the post-pandemic structure of the Ugandan labour market and workers' security. Attention must also be paid to these trends over the coming months and years, to ensure that workers who are out of job and those falling into precarious employment are not left behind. Greater effort than ever must be put into organizing workers in non-standard employment relationships. It will not be easy – but this does not make it any less important.

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<sup>7</sup> *ibid*