



**Ulandssekretariatet**  
LO/FTF Council

Danish Trade Union  
Council for International  
Development Cooperation

# Malawi

## Labour Market Profile

### 2014

*This Labour Market Profile is a yearly updated report that provides a broad overview of the labour market's situation and development. The report is based on the latest data available and following trends. Each section has also accesses to the sources' links that can be used to go more in-depth on selected themes.*



# Malawi – Labour Market Profile 2014

## Executive Summary

Malawi is one of the world's least developed countries. It is densely populated and over 80% of Malawians live in rural areas with bad accessibility due to poor infrastructure. Around 71% of employed people are living less than US\$1.25 a day. Tobacco production is the dominant export industry and many agricultural workers live off it and work under meagre conditions.

Despite the change of the presidency in 2012 and implementing new policies, there remain concerns about economic governance. The economic growth is rebounding in a projected 5% in 2013, from 1.9% in 2012; and an estimated GDP per capita of US\$900 in 2013, ranking as 221 of 229 countries.

Freedom of association and the right to collective bargaining were adequately respected for those in the formal sector. Union membership among workers appears low at 3%. It is, among others, due to the small percentage of the workforce in the formal sector, and because of a lack of awareness of worker rights and fear of reprisals.

The Tripartite Labour Advisory Council has faced problems in convening its meetings regularly while the National Social Dialogue Forum faces sustainability problems beyond the current donor support.

The minimum wage was raised from current 317 kwacha per day in 2012 (US\$1.3) to kwacha 511 in 2014 (US\$2.1). Thus, from 2011 to 2014 the minimum wage has increased at 38%. Official minimum wages apply only to the formal sector, though.

The informal economy has experienced a rapid expansion. This 'sector' has a large number of young people as well as more women than men, and is characterised by worse working conditions both in form of less income, no social protection and work safety or representation. It is estimated that the informal economy covers 89% of the labour force, which is a size similar to other neighbouring countries.

Child labor remains a serious and widespread problem in Malawi. Around 26% are working children, which is the same level as in Sub-Saharan Africa.

The progress towards gender equality in the society has been slow. It is due to the existing discrepancy between formal and customary law. So far the systemic mainstreaming of gender in the government's planning and program implementation suffers from insufficient resources and the gender policy has not been revived.

Malawi has a relatively large young population of 3.3 million persons in the 15-24 years old segment, out of which 2 million are in the labour force. The youth unemployment rate has been estimated as quite high at 14%. The National Youth Policy has previously been lying idle for a long period, but the government launched a revised National Youth Policy in 2013.

The technical and vocational education system is diverse and a multitude of private and public providers offering, but the service costs are unaffordable to the majority. The public system has seven public technical colleges, which accommodate less than 700 students each year against an enormous demand every year.

Malawi's Growth and Development Strategy includes social protection initiatives, which remain a largely donor-driven sector. The total public social security and health care expenditure is estimated at 5.9% of GDP, which is on a middle range in comparison with the countries in Africa. There has been a positive growth trend at 13% on government expenditure in health, but it covers only US\$3.7 per person.

There has been a progress in reducing the spread of HIV/AIDS: HIV prevalence has decreased from 12% to 10.6%, and mortality as a share of overall deaths declined from 11% to 3%. However, there are rapidly growing problem of HIV/AIDS epidemic.

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## Trade Unions

Trade unions in Malawi	
Number of trade unions	26
Dues (standard)	1 %
Members of trade unions (est.)	200,000
Trade union members share of labour force	3 %
Trade union members to waged workers	31 %
Female member share of trade unions	N/A
Members of affiliated trade unions from the informal economy	27,000
Number of CBAs	80
Workers covered by CBAs	N/A
Share of workers covered by CBA	N/A
Labour force (2012) <sup>1</sup>	7.2 million

The trade union movement in Malawi initiated at the end of the Second World War. It has undergone a process of growth, decline and growth again over the past seven decades. The political context has been an influential factor in the way trade unionism has developed and the trade unions have a big challenge today. Among others, the government has set up committees to comment on social and economic issues of national interest and advise the executive, but trade union members are not included in programs.

The Labour Law allows workers, except for military personnel and police, to form and join trade unions of their choice without previous authorization or excessive requirements. The law provides for unions to conduct their activities without government interference.

Freedom of association and the right to collective bargaining were adequately respected for those in the formal sector. Union membership among workers was low due to the small percentage of the workforce in the formal sector, and because of a lack of awareness of worker rights and fear of reprisals. According to the Industrial Relations Court there are 200,000 unionized workers out of an estimated 7.2 million (2012) workers overall. The formal sector has a workforce of approximately 800,000. Of this, the public service comprises 120,000 workers. The relatively low membership of trade unions is due to the avoidance of union fees, financial constraints and the alliances some union leaders form.<sup>2</sup> Currently, the trade union members' share of the labour force is around 3%. The

Malawi Congress of Trade Unions (MCTU) has registered 80 Collective Bargaining Agreements. According to the U.S. Country Report on Human Rights Practices for 2013, trade unions seeking to bargain collectively face excessive high representation thresholds.

Non known particular group of workers was excluded from relevant legal protections. But, the government did not effectively enforce applicable laws. As with cases of all types entering the justice system, lack of resources and capacity resulted in delays of some labor cases. Furthermore, the law did not apply to or benefit the vast majority of workers who are in the informal sectors.<sup>3</sup>

### Malawi Congress of Trade Unions (MCTU)

The Malawi Congress of Trade Unions (MCTU) was re-established in 1995 after having been banned during the years when Malawi had a one party state under Hastings Banda. The MCTU currently has around 144,733 contributing members from all economic sectors represented in 23 affiliated Unions.

### Congress of Malawi Trade Unions (COMATU)

COMATU is a breakaway union from MCTU. It used to be affiliated with the World Congress of Labour, but is no longer affiliated with the successor organization ITUC. COMATU has two affiliated unions representing about 7,000 members.<sup>4</sup>

Affiliated to MCTU is the Malawi Union of the Informal Sector (MUFIS) was established in 2000. This organization was established to organize, promote, protect, and negotiate issues dealing with the rights of informal economy workers and business training.<sup>5</sup> In 2014 it organizes around 2,200 contributing members. MUFIS is open for all informal workers, who can become members in the local departments of MUFIS. The dues are 200 kwacha (US\$0.5) per year paid to the national headquarters and 50 kwacha (US\$0.12) per month paid to the local department. MCTU and MUFIS work to formalise those working in the informal economy, by advocating for the provision of decent benefits.

Three other unions organise workers in the informal sector. These are the Tobacco and Allied Workers Union of Malawi (TOAWUM), Commercial Industrial and Allied Workers Union (CIAWU), affiliated to MCTU

and the Quarries Mines and Informal Workers Union (QMIWU) affiliated to COMATU. CIAWU organises workers in the domestic sector and has a special organiser to deal with domestic workers. TOAWUM and QMIWU have respectively 27,510 and 1,300

members, which is still less than 1% of workers in the informal sector.<sup>6</sup>

Malawi has two other unions, which are not affiliated to trade union federation. These are two unions in the production of quarrying and macadamia nuts.

Trade Unions in Malawi							
Members, Dues, Collective Bargaining Agreements (CBA) and Occupational Safety and Health committees							
Trade Union / Trade Union Centre	Affiliation To national trade union centre	Total Members <sup>7</sup> (2014)	Female members	Dues (share of salary)	Number of CBAs <sup>8</sup>	Workers covered by CBAs	Number of OSH committees at workplaces <sup>9</sup>
MCTU Malawi Congress of Trade Unions		144,733	-	-	80	-	-
COMATU Congress of Malawi Trade Unions		7,000	-	-		-	-
Building Construction Civil Engineering Allied Workers Union	MCTU	6,401	-	100 MK/month	2	-	2
Civil Servants Trade Union	MCTU	13,200	-	1 %	4	-	-
Commercial Industrial Allied Workers Union	MCTU	5,124	-	0.03 %	3	-	5
Escom Staff Union	MCTU	2,845	-	1 %	1	-	1
Hotels Food Catering Services Union	MCTU	5,006	-	100 MK/month	12	-	7
Electronic Media Workers Union	MCTU	350	-	1 %	-	-	2
Malawi Housing Corporation Workers Union	MCTU	350	-	1 %	1	-	1
Communications Workers Union of Malawi	MCTU	2,500	-	1 %	5	-	8
Plantations Agriculture Allied Workers Union	MCTU	11,852	-	1 %	2	-	10
Private Schools Employees Union of Malawi	MCTU	3,310	-	1 %	-	-	-
Railways Workers Union of Malawi	MCTU	368	-	1 %	2	-	10
Sugar Plantation Allied Workers Union of Malawi	MCTU	6,229	-	1 %	1	-	5
Teachers Union of Malawi	MCTU	35,000	-	100 MK/Month	2	-	-
Textiles Garments Leather Security Services Union	MCTU	7,764	-	1 %	22	-	2
Tobacco Tenants Allied Workers Union of Malawi	MCTU	27,510	-	300 MK/Year	1	-	9
Transport General Workers Union	MCTU	3,500	-	100 MK/Month	17	-	7
University Workers Union	MCTU	1,085	-	1,000 MK/Year	1	-	5
Water Employees Union of Malawi	MCTU	2,488	-	1 %	2	-	6
National Organisation of Nurses and Midwives	MCTU	1,500	-	-	2	-	-
Malawi Union for Informal Sector (MUFIS)	MCTU	2,201	-	500 MK / year	-	-	-
Shipping Customs Clearing Allied Trade Union	MCTU	350	-	1 %	-	-	-
Malawi Municipal Workers Union	MCTU	4,500	-	-	-	-	-
Quarries Mines and Informal Workers Union	COMATU	1,300	-	-	-	-	-

Note: The registered numbers in this table is lower than the registered 200,000 members by the Industrial Relation Court. It is likely to be related to that members are dominantly only paying members.

## Employers' Organisations

### Employers' Consultative Association of Malawi (ECAM)

ECAM was established in 1963, shortly before Malawi's independence. It is led by President Mr. Emmanuel Banda. The institution has around 221 employers registered as members and seven sectoral trade associations. The main role of ECAM is to protect the interests of employers on social and labour policy.<sup>10</sup>

ECAM's challenges include members' inadequate technical competence on labour issues, institutional, logistical and financial constraints, and the need for new forms of collaboration with other bodies providing similar services.

ECAM addresses the areas of:<sup>11</sup>

- Gender
- Occupational health and safety
- Collective bargaining agreements and recognition agreements
- Social security
- Freedom of association and the right to organise
- HIV/AIDS in the work place
- Terms and conditions of service
- Child labour and youth development
- SME Development

## Central Tripartite Structures

### Mediation and Arbitration

Industrial disputes are regulated under the Labour Relations Act. A dispute which cannot reach settlement can be referred to the Industrial Court. The Industrial Relations Court is composed of a Chief Justice and five members each from employees and employers.

According to the U.S. Country Report on Human Rights Practices for 2013, both employers, labor unions, and the government lack sufficient knowledge of their roles in labor relations and disputes. In general the right to collective bargaining has been respected.<sup>12</sup>

Arbitration rulings have legally been enforceable. Notwithstanding, due to lack of funding and a heavy case backlog, the Industrial Relations Court could not monitor cases or adequately enforce the laws

### Tripartite Labour Advisory Board

The board is composed of 16 members, four each from the government, trade unions and employers'

organizations. It gives advice to the government on labour and employment, including the promotion of collective bargaining, the labour market, human resources development and the review of the operation and enforcement of the Employment Act and any other acts relating to employment.

### Other bi/tripartite organs<sup>13</sup>

- Minimum wage advisory committee
- Ministry of Labour Directorate of OSH
- Social dialogue Commission
- National Pension Administrator (to be set)
- Technical Education, Vocational and Entrepreneur-ship Training Authority (TEVETA)
- Ministry of education and Labour
- Gender
- Chamber of commerce
- Thematic working group on trade and development
- Tripartite plus
- Local assemblies and community groups

## National Labour Legislation<sup>14</sup>

### Constitution<sup>15</sup>

The constitution from 1994 recognises the right to work and guarantees the freedom of association, fair and safe labour practices, fair and equal remuneration, right to form and join unions and protection of children from economic exploitation. The state shall also provide a healthy working environment and access to employment.

### Employment Act

The Employment Act of 1999 concerns forced labour, anti-discrimination, equal pay, remedies for infringement of fundamental rights, the labour commissioner, labour officers, employment of young persons, labour contracts, hours of work, weekly rest and leave, wages, discipline and dismissal.

### Labour Relations Act

The Labour Relations Act of 1996 regulates trade unions, collective bargaining, strikes, lockouts and industrial disputes. It established the Tripartite Labour Advisory Board and the Industrial Relations Court.

### Occupational Safety, Health and Welfare Act<sup>16</sup>

The Act from 1997 sets standards and the scope for Occupational Safety and Health, for labour inspection and investigations of accidents and working environments.

### Pension Act

The Pension Act of 2011 makes provision for mandatory pension, and for matters relating to the supervision and regulation of pension funds and umbrella funds.

### Occupational Safety, Health and Welfare Act

The Occupational Safety, Health and Welfare Act of 1997 makes provision for the regulation of the conditions of employment in workplaces as regards the safety, health and welfare of persons employed therein.

### Worker's Compensation Act

The Worker's Compensation Act of 2000 makes provision for compensation for injuries suffered or diseases contracted by workers in the course of their employment or for death resulting from such injuries or diseases.

### Trade Unions Act

The Trade Unions Act of 1958 provides for the registration and operation of trade unions, the formation of employees' associations, the regulation of trade disputes, and other related matters.

### Child Care, Protection and Justice Act

The Child Care, Protection and Justice Act of 2010 consolidates the law relating to children by making provision for child care and protection and for child justice; and for matters of social development of the child and for connected matters.

### Employment Order 2012

Although the Constitution states that children under age 16 are entitled to protection from hazardous work, the Employment Act sets the minimum age for hazardous labor at 18. A list of hazardous occupations - Employment Order, 2011 ("Prohibition of Hazardous Work for Children") - was published in the G gazette.

*Several other legislations exist, which regulates and sets standards and restrictions for the labour market.*

## ILO Conventions

Ratified ILO Conventions <sup>17</sup>		
Subject and/or right	Convention	Ratification date
<b>Fundamental Conventions</b>		
<b>Freedom of association and collective bargaining</b>	C087 - Freedom of Association and Protection of the Right to Organise, 1948	1999
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1965
<b>Elimination of all forms of forced labour</b>	C029 - Forced Labour Convention, 1930	1999
	C105 - Abolition of Forced Labour Convention, 1957	1999
<b>Effective abolition of child labour</b>	C138 - Minimum Age Convention, 1973	1999
	C182 - Worst Forms of Child Labour Convention, 1999	1999
<b>Elimination of discrimination in employment</b>	C100 - Equal Remuneration Convention, 1951	1965
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1965
<b>Governance Conventions</b>		
<b>Labour inspection</b>	C081 - Labour Inspection Convention, 1947	1965
	C129 - Labour Inspection (Agriculture) Convention, 1969	1971
<b>Employment policy</b>	C122 - Employment Policy Convention, 1964	Not ratified
<b>Tripartism</b>	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1986
<b>Up-to-date Conventions</b>		
<b>Migrant Workers</b>	C097 - Migration for Employment Convention (Revised), 1949	1965
<b>Employment Policy</b>	C159 - Vocational Rehabilitation and Employment (Disabled Persons), 1983	1986
<b>Specific categories of workers</b>	C149 - Nursing Personnel Convention, 1977	1986
<p>Fundamental Conventions are the eight most important ILO conventions that cover four fundamental principles and rights at work. Equivalent to basic human rights at work.</p> <p>Governance Conventions are four conventions that the ILO has designated as important to building national institutions and capacities that serve to promote employment. In other words, conventions that promotes a well-regulated and well-functioning labour market.</p> <p>In addition, there are 71 conventions, which ILO considers "up-to-date" and actively promotes.</p>		

## Trade Union Rights Violations

The International Trade Union Confederation (ITUC) registered only one case in 2013. It is with reference to the Mimosa Court Hotel owned by the Minister of Agriculture dismissed 21 workers for having demanded a wage increase. Moreover, workers complained that the hotel does not pay overtime even though many workers work 11 hour shifts per day. The workers had made their demands known to management in writing and threatened to use strike action, if their demands were not met.<sup>18</sup>

Generally, when negotiations fail, workers tend to embark on un-procedural strikes, which results in mass dismissals by employers, such in a case at the firm Shoprite limited, where over 60 workers were laid off.

According to the U.S. Country Report on Human Rights Practices for 2013, both employers, labor unions, and the government lack sufficient knowledge of their roles in labor relations and disputes. Despite this there are not registered instances of strikes being declared illegal during the year 2013. In general the right to collective bargaining has been respected.<sup>19</sup>

Arbitration rulings were legally enforceable. Notwithstanding, due to lack of funding and a heavy case backlog, the Industrial Relations Court has problems monitor cases or adequately enforce the laws.

Informal sector employees, however, are frequently unable to obtain the same standard of protection as formal sector workers due in part to a Ministry of Labor decision that the MUFIS did not have sufficient standing to bargain collectively.<sup>20</sup>

The law prohibits all forms of forced or compulsory labor, but it has not been effectively enforced by the government. The so-called 'tenancy system' can force and bond labor that can involve entire families. For example, the tobacco plantation tenants had exclusive arrangements, often unwritten, with estate owners to sell their crop and to buy inputs such as fertilizer, seed, and often food. These costs, in addition to rent charges, could be greater than the amount of money received from tobacco sales, leading to a situation of debt bondage to repay the inputs and other costs.<sup>21</sup>

Newspapers have reported about Chinese employee harassment of Malawian workers at a construction site of a national stadium in the capital, Lilongwe.<sup>22</sup>

Members of a registered union in "essential services" have a limited right to strike. Essential services are defined as services whose interruption would endanger the life, health, or personal safety of the whole or part of the population, as determined by the Industrial Relations Court. The ambiguity could lead to unions having difficulties with striking legally.<sup>23</sup>

There was anecdotal evidence that union organizers were dismissed or had their rights violated in order to deter unionization.

Malawi has 3 closed Freedom of Association cases in the ILO; and no active or follow-up cases.

ILO Complaints Procedure <sup>24</sup>	
Freedom of Association cases	
Active	0
Follow-up	0
Closed	3

## Working Conditions

Wages and earnings			
Monthly average, median and legal minimum wages			
	Source	Malawi Kwacha	US\$
<b>Median wages (2013)</b>	MLFS <sup>25</sup>	13,600	37
<b>Mean wages (2013)</b>		41,643	113
<b>Minimum wage (2014)</b>	Ministry of Labour <sup>26</sup>	13,224	32
<b>Minimum wage for a 19 year-old worker or an apprentice (2014)</b>	Doing Business <sup>27</sup>	9,330	23
<b>Growth of real minimum wage (2000-2011)</b>	Global Wage Database <sup>28</sup> & MCTU	63 %	
<b>Growth of real average wage (2000-2006)</b>	KILM	89 %	

The Ministry of Labor sets separate urban and rural minimum wage rates based on recommendations of the Tripartite Wage Advisory Board. This Board covered debates on differentiate minimum wages for sectors, among representatives of labor, government, and the private sector. It has been observed that the Ministry of Labor lacks resources to enforce the minimum wage effectively.<sup>29</sup>

The minimum wage was raised from 317 kwacha per day in 2012 (US\$1.3) to kwacha 511 in 2014 (US\$2.1). From 2011 to 2014 the minimum wage has thus risen at 38%. The minimum wage for a 19 year-old worker or an apprentice is lower than the minimum wages. Estimations suggest that the growth of real minimum wage has increased at 63% in the period 2000-2011. Estimations of a family of five needs a minimum of kwacha 60,000 per month (US\$148) to cover the costs of a basic life.

Official minimum wages apply only to the formal sector. Since a large majority of workers operate in the informal economy the minimum wage turns out somewhat irrelevant. In practice wage earners often supplemented their incomes through farming activities.

The real average wages has been more than 50% lower than the average wages. Shortly after the currency was devaluated by about 50% in 2012, which has severely undermined real wages and especially

those earning the minimum wage, but is not reflected in the data.<sup>30</sup>

The maximum legal workweek is 48 hours, with a mandatory weekly 24-hour rest period. The law requires payment for overtime work and prohibits compulsory overtime. Nevertheless, the workweek standards are not effectively enforced, and employers frequently violated statutory time restrictions. The Ministry of Labor's enforcement of the health and safety standards has also been poor. The law specifies a maximum fine of kwacha 20,000 (US\$48) or five years' imprisonment for violations. The fines are not sufficient to deter offenders and no jail terms have ever been reported.<sup>31</sup>

Workers, particularly in industrial jobs, often worked without basic safety clothing and equipment.

Many non-agricultural workers are not employed all year round. It is more common for men than women to have seasonal or occasional employment. Men are more likely to be employed by non-family members and women are more likely to be self-employed, which often means informal work in small trade or services. Casual or occasional work is common. Among agricultural workers only 7% (women) and 11% (men) are employed by non-family members, indicating a small share of more industrialised farming.

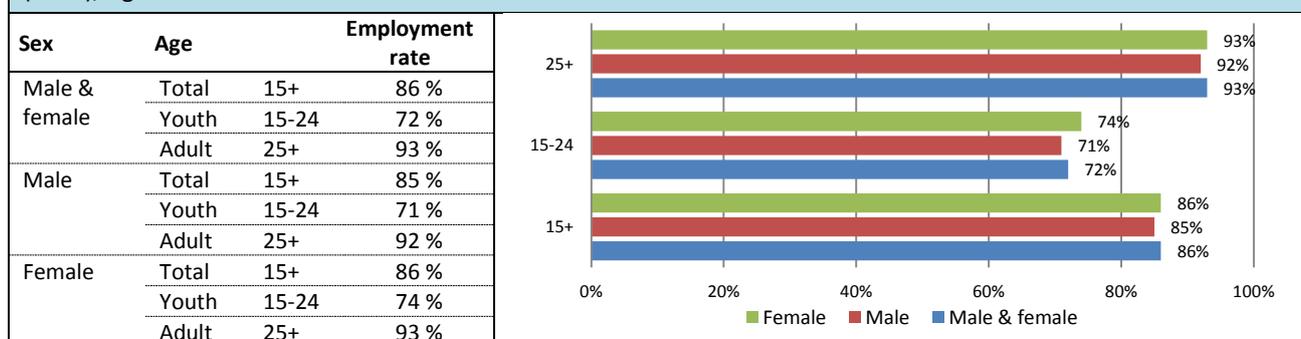
Domestic workers in Malawi received an increase on the minimum wage from kwacha 178 to kwacha 317 in July 2013. The government has warned all employers that they should not engage any domestic worker if they cannot afford to pay them the new rate should be crime punishable by law.<sup>32</sup> Most domestic workers have unspecified contracts as well as a gender biased sector and engage young domestic workers.<sup>33</sup>

The Third Integrated Household Survey 2010/2011 revealed that 40% of Malawians just had enough income to meet expenses, 13% needed to use savings, and 27% needed to borrow money to meet expenses. It was more common for rural households, as well as the poorest to have to have to borrow.

## Workforce

### Employment rates<sup>34</sup>

(2012), Age and Sex distribution



The total population is 17.4 million (2014 est.) and the labour force is 7.2 million. The population is largely rural-based with only 15% residing in the urban areas. Men and women have the same employment rates, though women tend to have a slightly higher rate than men at youth on 15-24 years. The lower employment rates for men in their youth would usually imply that young men are being prioritised for education and therefore not active on the labour market. Though women have considerably lower education levels, their enrolment into schools are almost equal or higher than men. Youth unemployment rates are lower for men, so the difference is not because of more men being unemployed. More young men than women are just not active on the labour market.

The latest data for working poor in Malawi is from 2010. Malawi has considerably higher poverty headcount ratio in comparison with the working poor in the Sub-Saharan Africa's average, and more women tended to be working poor.

The richest 10 percent of the population has an average per capita income that is nine times higher (MWK 140,458 per person per annum) than an average per capita income of the poorest 10% (MWK 15,161 per person per annum). The richest 10 percent of the population has a median income (MWK 101,654) that is six times higher than the median income (MWK 15,630) of the poorest 10 percent. Moreover, about 49 percent of the people in male-headed households are poor and 57 percent of people in female-headed households are poor.<sup>35</sup>

Consistent with its many working poor Malawi had one of the smallest middle classes in the world, with only 4% living for US\$2-4 a day and 5% for US\$4-20 a day, compared to Sub-Saharan Africa where 14% lived for US\$2-4 a day and 10% for US\$4-20 a day.<sup>36</sup>

### Working Poor<sup>37</sup>

Age 15+

Region		Share of workers in total employment	
		1.25 US\$ a day	2 US\$ a day
Malawi (2004)	Male & female	71 %	89 %
	Male	68 %	87 %
	Female	74 %	91 %
Malawi (2010)	Male & Female	62 %	82 %
Sub-Saharan Africa (2004)		51 %	73 %
Sub-Saharan Africa (2011)		42 %	65 %

*Working poor measures employed people living for less than US\$1.25 and US\$2 a day, as proportion of total employment in that group.*

The degree of entrepreneurial culture is quite challenging in Malawi. It is characterized by a large majority of micro and small enterprises that are normally not limited liability companies. It is observed that in Malawi there is a prevalent culture that does not recognize the value of entrepreneurial activity.

## Unemployment

Youth Unemployment <sup>38</sup> Age 15-24				
	Year	Total	Male	Female
<b>Total</b>	(2005-09) <sup>39</sup>	4 %	5 %	3 %
<b>Total</b>		16 %	13 %	17 %
Zomba City	(2011) <sup>40</sup>	59 %	57 %	74 %
Rural		11 %	8 %	13 %

The government's Welfare Monitoring Survey of 2005-2009 records unemployment rates as low as 1% for the whole labour force and 4% for youths. In the 2011 survey only youth unemployment is reported and is considerably higher at 16%. The large increase could be because Malawi had experienced economic slowdown due to pegging of the currency, but the difference is more likely methodological, as a person were considered employed if they worked for one

## Sectoral employment

The results of the latest Integrated Household Survey from 2010-2011 indicate that 58 percent of all non-agricultural enterprises are engaged in trading followed by manufacturing at 31 percent. Social services, transportation and construction account for 6, 4 and 1%, respectively. Financial services and mining or quarrying have a negligible share, accounting for 0.3 and 0.4 percent respectively. A prevalence of trading activities is higher in urban localities (68%) than in rural localities (54%), whereas manufacturing is carried out more in rural areas (36%) than in urban areas (16%). More construction activities are carried out in urban areas (3%) than in rural areas (1%).

Around 87% of household non-farm enterprises are owned by a sole proprietor and 13% are partnerships. Most of trading enterprises (98%) in female headed households are owned by single proprietors compared to 81% in male headed households.

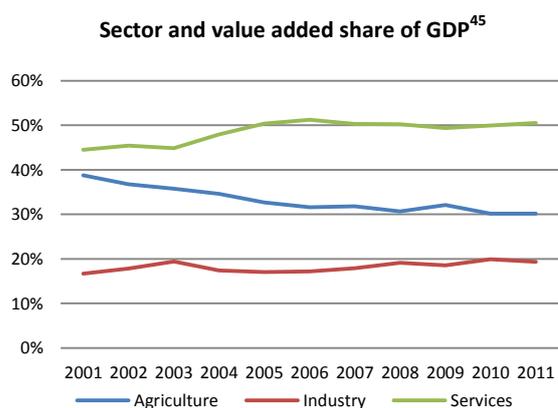
Types of non-agricultural work <sup>43</sup> (2010)			
		Men	Women
Type of employer	Family member	9 %	11 %
	Non-family member	45 %	22 %
	Self-employed	46 %	67 %
Continuity of employment	All year	47 %	59 %
	Seasonal	30 %	28 %
	Occasional	23 %	14 %

hour per week.<sup>41</sup> Youth unemployment is much more pronounced in urban areas, where as many as 50% of youth were unemployed, especially in Zomba City. Youth unemployment also tended to affect young women more than men.

The high youth unemployment rate is caused by the around 130,000 young people entering the labour market each year, whereas the formal sector only produces around 30,000 jobs, as well as exceptionally few places in universities, technical and secondary schools, where few applicants are admitted. Malawi both has a high share of the population living in rural areas and has a high urbanisation rate, which increase demand for urban jobs and is a cause for the high youth unemployment. The southern region is the industrial hub of the country and has the highest urban population, whereas the central region has experienced the highest growth in urban population.<sup>42</sup>

The Integrated Household Survey also shows that approximately 20% of households in Malawi operate non-farm enterprises. The Proportion of households engaged in the small economic activities in urban areas (36%) is more than double the rural proportion (17%), reflecting the wide intra-country disparities in the distribution of non-agricultural enterprises.<sup>44</sup>

In terms of the sectors share of GDP contribution to GDP during the last decade there have been a sectoral shift away from agriculture into industry and in particular services.



## Migration

Malawi receives considerably less remittances than the rest of Sub Saharan Africa, in fact only 0.7% of GDP. It is increasing, though. Fewer people also migrate out of Malawi with a net migration rate of 1 out of every 3,507 inhabitants. The top three destinations for migrants are Zimbabwe, Tanzania, and the United Kingdom.<sup>46</sup>

Malawi is reported to experience skill shortages, and has many skilled immigrants. In a survey conducted by Malawi's Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA)<sup>50</sup>, most immigration applications were Indian (20%), followed by British (10%), Zimbabwean (9%), and Americans (9%). Most had either a Professional Certificate (43%) or a Bachelor Degree (30%). Apart from religious services most applied in the sectors of industrial (13%), engineering (10%) or commerce (9%).

At the same time, Malawi experiences shortages of workers with certain skills, due to emigration of high-

## Informal Economy

Little data exists for the general size of the Malawi informal economy, both in the agricultural and non-agricultural sector.

According to the ILO's Decent Work Country Programme, the informal economy has experienced rapid growth. This 'sector' has a large number of young people and women, and is characterised by worse working conditions both in form of less income, social protection, work safety, and representation. Anecdotal data indicate that the informal economy accounts for over 4 million jobs. That would account for an informal sector at the size of 89%. Similar Sub-Saharan African countries tend to have a total informal sector between 85%-95%, and a non-agricultural informal sector between 45%-65%.

In 2011, 81% of the Malawi workforce was in subsistence farming (*Mlimi*) and 9% was either unpaid

skilled labour. As with many other African and developing countries this is particular common in the health care sector. Around 52% of posts for registered nurses were unfilled in Malawi based on somewhat outdated data.<sup>47</sup>

Migration <sup>48</sup>		
Net migration (2006-2010)	Malawi	- 20,000
Net migration to average population per year (2006-2010)	Malawi	- 1 : 3,507 inhabitants
	Sub-Saharan Africa	- 1 : 2,048 inhabitants
Personal transfers i.e. remittances received, % of GDP (2012)	Malawi	0.7 %
	Sub-Saharan Africa	2.4 %
<i>Net migration is the net total of migrants during the period, that is, the total number of immigrants less the annual number of emigrants, including both citizens and noncitizens.</i>		

family workers or self-employed. These are usually in the informal economy. Around 10% of the workforce is either paid in wages, in kind or were casual workers.<sup>49</sup>

A survey conducted by Malawi TEVETA on the informal sector,<sup>50</sup> revealed that most employees (60%) had been employed for less than three years. Only 11% of the surveyed informal enterprises had no employees, 40% had two to four working in them and 49% more than five. The most common type of informal enterprise was in carpentry (41%), welding (22%) and mechanics (19%). Few in the survey were in retail or service, where there is usually many informal jobs in the form of self-employment with no employees, such as street vendors, bike taxis, etc.

## Child Labour

Child labor remains a serious and widespread problem in Malawi. Around 26% are working children, which is the same level as in Sub-Saharan Africa. Child labour is twice as high in rural areas (28%) than urban (14%) areas. There is little difference between the genders. Child labour is common on tobacco farms, subsistence farms, and in domestic service.

The country has made a moderate advancement in efforts to eliminate the worst forms of child labor. Despite the public finance restrictions due to fuel shortages and the suspension of foreign aid, the Government continued to support social programs to address child labor, particularly in the tobacco sector. In addition, the Government has also mainstreamed child labor into the economic and program plans. However, the Government has not finalized or fully implemented neither key legislation nor policies protecting children from the worst forms of child labor. In addition, the country continues to lack a compulsory education law.<sup>51</sup>

The HIV/AIDS pandemic is a major cause of child labour in Malawi, as children who have lost one or both of their parents are more likely to be engaged in child labour.<sup>52</sup>

The prohibition of child labor does not apply to work done in homes, vocational technical schools, or other training institutions. The law prohibits child trafficking, including labor exploitation and the forced labor of children for the income of a parent or guardian.<sup>53</sup>

## Gender

The women's rights advocate, Joyce Banda, became the first female president in Malawi in April 2012, and also as the first in the Southern Africa. The Government operates with the National Gender Policy from 2011 which aims to mainstream gender in the national policies and plans. So far the systemic mainstreaming of gender in the government's planning and programs suffers from insufficient resources and the gender policy has not been revived.<sup>57</sup>

There are four main tribes, two of which, the Chewa and Lomwe tribes, are female-dominated. Women in Malawi fare worse than their male counterparts on most social indicators. Notwithstanding, the country has achieved gender parity with respect to primary

The Ministry of Labor continued to conduct child labor law enforcement courses for district labor officers, district social welfare officers, police, and district magistrate court officers. During the year the ministry carried out inspections, particularly on agricultural estates. Despite these efforts, enforcement by police and ministry inspectors of child labor laws was limited. By its own admission, the government made little progress to implement its National Action Plan on Child Labor (2010-16). Most public education activities were carried out by tobacco companies and nongovernmental groups.

Working children			
Proportion of all children in age group			
Region	Year	Type	Proportion
Malawi <sup>54</sup> (age 5-14)	2006	Child labourers	26 %
Sub-Saharan Africa <sup>55</sup> (age 5-17)	2008	Children in employment	28 %
		Child labourers	25 %
		Hazardous work	13 %
<i>Children in employment include all children who conduct some kind of work, whereas child labourers are a narrower term without mild forms of work. Hazardous work is the worst form of child labour as defined in ILO C182.</i>			

Trade Unions' role in eliminating child labour has also been strengthened; among others has MCTU contributed to building alliances and institutional analysis on the fighting against child labour as well as helping develop and implementation of national policies on child labour.<sup>56</sup>

and secondary school enrolments with girls slightly surpassing boys.

Gender Status Index <sup>58</sup>	
Gender equality performance in 2010	
Social power	0.939
Economic power	0.661
Political power	0.230
<i>The Gender Status Index is based on 44 indicators and measured by a Weighting System; and divided in the three blocks. Each indicator is calculated by comparing the ratio of female achievement to that of males'. The closer the result is to 1.00, the greater the indication of gender equality.</i>	

The average range of the Gender Status Index was 0.621. Of the three blocks that form the index, the

country is doing very well in the social power (0.939) followed by economic power (0.661). The latter has declined from 0.724 in the preceding year. The country continued performing poorly in the area of political power, which has reached to 0.230 in the period under review. Overall, the progress towards gender equality in the society has been slow. It is due to the existing discrepancy between formal and customary law.

Based on data from 2005, nearly 90% of all employed women worked in the rural informal sector, particular in subsistence farming. In the formal sector women tend to work in low-paying jobs, that are stereotypically thought of as female jobs. Female unemployment nearly doubled male unemployment, and was at 28-38% highest in the two largest cities. In addition, unemployment was high among those with completed secondary and higher education, again especially among females.<sup>59</sup>

## Youth

Malawi has a relatively large young population of 3.3 million persons in the 15-24 years old segment out of which 2 million are in the labour force. As previously mentioned, the unemployment rate is very high at 16%.

Based on the NEET rate, i.e. the proportion of youth not in employment, education or training, was estimated at 18% in 2012, while females' rate is much higher at 26% and males 9%. This indicator is a broad measure of untapped potential of youth. Because the NEET group is neither improving their future employability through investment in skills nor gaining experience through employment, this group is particularly at risk of both labour market and social exclusion.<sup>61</sup>

The government launched a revised National Youth Policy in 2013 which aims to empower the youth to face the social, cultural, economic and political

There is no discrimination or disparities in wages between women and men as long as they are on the same grade or are performing the same tasks. However, with regard to income, women earn nearly 50% of what their male counterparts involved in similar ventures in informal enterprise earn. Despite the fact that the informal sector is heavily patronized by women, their earnings still lag behind those of men.<sup>60</sup>

Surveys have suggested that there may be lower numbers of qualified women within many organizations to occupy the managerial positions, but to a large extent the disparity is due to discriminatory tactics employed by employers who are mainly men. Similarly, there are more men than women occupying positions in professional syndicates such as engineers, architects and medical associations and others mainly due to the fact that these occupations are to a large extent considered to be male domains.

challenges facing the country. The policy has previously been lying idle for a long period.

The National Youth Council of Malawi has started a National internship program in 2010, but, so far, less than 100 have been trained.

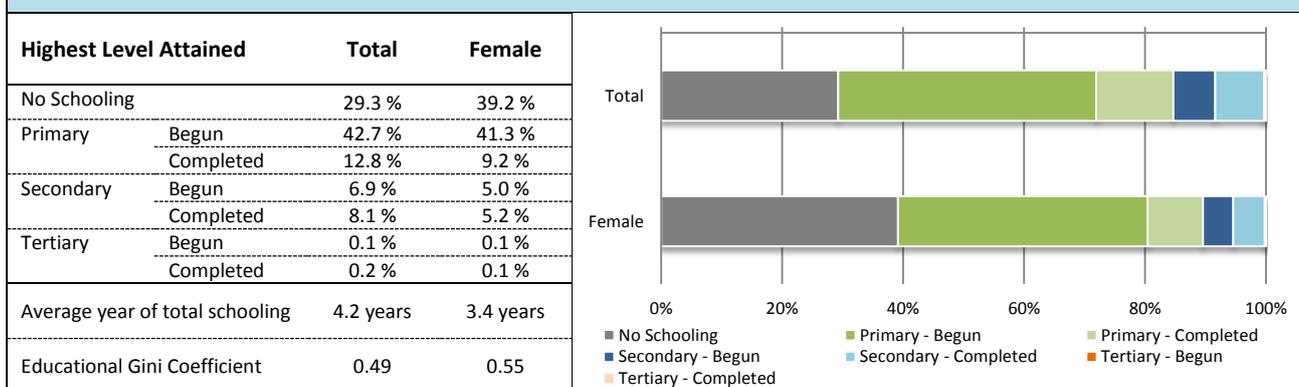
Based on a Youth NGOs Monitoring Report it has been pointed out that there are necessities in raising awareness about youth work. In addition, most NGOs operating with youth do not strategize on how best to create a form of employment from their members.<sup>62</sup>

Based on the study it is estimated that 60% of youth are in Agriculture. The youth have also indicated that with the current increasing trend of unemployment, they have no other choices than employ themselves in agriculture, which unlike other forms of business has fewer barriers to entry for survival.

## Characteristics of the Working Age Population

### Highest level attained and years of schooling in the population<sup>63</sup>

(2010), Population 25+, Total and Female



Primary, secondary and tertiary is the internationally defined distinction of education. In Denmark these corresponds to grundskole, gymnasium & university.

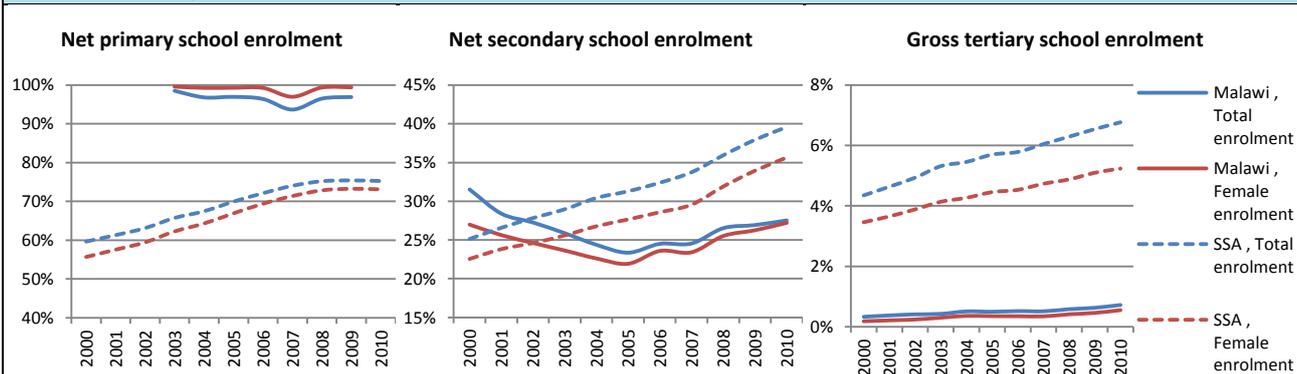
The educational Gini Coefficient is similar to the Gini Coefficient, but instead of measuring the distribution of income in a population, it measures the distribution of education measured as years of schooling among the population.<sup>64</sup>

Most Malawians have some sort of education, and where most have begun primary schools, fewer have progressed into higher education, leaving the average year of schooling per capita at around 4.2 years. Extremely few have same sort of university education, especially compared to the otherwise higher number of people in Malawi with some education.

Women are underrepresented in all types of education, having less total schooling and a more unequal distribution of the education among women. The graph above shows the educational attainment of all Malawians above 25 years, therefore gives a glance of the human capital of the labour force.

### Enrolment in Primary, Secondary and Tertiary schools (2000-2010)<sup>65</sup>

Total and Female, Malawi and Sub-Saharan Africa



Net enrolment is the ratio of children of official school age, who are enrolled in school to the population of the corresponding official school age. Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross primary enrolment is therefore sometimes higher than 100%.

Almost all children in Malawi are enrolled in primary education. Enrolment into secondary schools has dropped in the last ten years contrary to other Sub-Saharan African countries. Enrolment into universities on the other hand has increased in the last five years,

but remains one of the lowest enrolments into tertiary education in the world.

Gender difference tends to be small in Malawi's school enrolment, and notably more females tend to enrol in primary education than boys.

However, enrolment into secondary education is low for females as compared to males, this can be attributed to high drop outs from them because they either get married or stay home to help their parents take care of their siblings because of financial constraints.

### Vocational training

The technical and vocational education system is diverse. It has a multitude of private and public providers offering, but the service costs are unaffordable to the majority. This is the main reason why many young people choose informal apprenticeship because this training system seems to offer a greater likelihood of securing a job afterward in comparison with formal training.<sup>66</sup>

The government established in 1999 the Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA). This system is covering both the formal and informal sectors. It has only established seven public technical colleges, which accommodate less than 700 students each year against an enormous demand every year.

TEVETA Vocational Training Programs <sup>67</sup>		
Programs	Year commenced	Number of trained students/trainers
Apprenticeship skills training programmes	2007	2,262
Skills Development Initiative	2000	3,500
Small Enterprise Development	2003	3,030
On the Job Training	2009	330
Enhancing TEVETA Outcomes (ETO) Project <sup>68</sup>	2003	100
TEVETA/MACOHA/NAD Project.	2003	260
Apprenticeship Programme	N/a	N/a
Public and Private Sector Training Program	2007	433
Integrated Strategic Skills Development Programmes	1999	N/a
Skills Development Initiative	1999	N/a
About Quality Assurance Programme	N/a	N/a
<i>Note: There is no information of when the programs end.</i>		

According to the percentage of private firms offering formal training to their permanent and full-time staff, despite sparse data, Malawi seems to perform notably better than its three neighboring countries. The most

It is therefore likely that Malawi will continue to have a labour force where the majority has begun primary education but not advanced to higher education, and with very few university graduates.

recent available figure for Malawi at 48% in 2009.<sup>69</sup> However, private registered enterprises offering training is a very small group since the vast majority work in the informal economy. And, many enterprises fail to implement in-house training mainly due to production pressure and a lack of training materials and qualified trainers.

The assessment of the Enabling Environment for Sustainable Enterprises (ESEE) Survey in Malawi from 2013 provides information on whether workers are perceived to have the skills demanded by businesses. Slightly over one out of three of interviewees (36%) believe that there are minor skills deficits among workers in the country. Large companies share this opinion more than other types of firms grouped by size. On the other hand, about 31% of all respondents feel that there are significant skills deficits. It also suggests that many well-educated and skilled Malawians go abroad and are employed out of the country.<sup>70</sup>

TEVETA conducted also a study of the labour market for vocational training graduates in 2009:<sup>71</sup> Most graduates were males (80%), and almost all had attained secondary school education (97%). Close to one out of ten (8.9%) were unemployed, 85% of graduates were in waged employment, whereas 57% preferred self-employment. Of the graduates in waged employment 63% earned 1,000-10,000 kwacha per month (US\$7-70), 26% earned 10,000-30,000 kwacha (US\$70-210) and 10% earner more than 30,000 kwacha.

Indeed the Malawi post-primary education system lacks the ability to absorb enough and produce the skills needed. As already indicated, only 1% of applicants to technical and vocational institutes are admitted and Malawi has one of the lowest numbers of vocational graduates in the region. While at the same time the private sector reports skills shortages.<sup>72</sup>

It has been identified that an effective way to boost entrepreneurial culture needs to change the education training curriculum, including entrepreneurial skills in schools starting from primary education.

## Social Protection

Public spending on social protection schemes <sup>73</sup> (2007)		
	Kwacha	7.2 billion
	US\$	51 million
Public social protection expenditure, excl. health	% of GDP	1.4 %
	per capita, US\$	3.7
	of government expenditure	0.5 %
Public health care	% of GDP	4.5 %
Health social protection coverage	% of population	N/a
Trends in government expenditure in health	% changes per year (2007-2011)	13.0 %

Poverty and vulnerability are widespread in Malawi. Social protection is a pillar in the Malawi Growth and Development Strategy, but the social protection policy has largely been a donor-driven process in the country.<sup>74</sup>

A mandatory public-pension law was established in 2011. Previously, there was no legislation governing the private pension schemes.

Employees contribute 5% of salary; employers contribute 10% for employees with at least 12 months of service. Workers with at least 20 years of service may retire at age 50. The system is yet to be implemented.<sup>75</sup> Employers in the public sector were covered by the Government Public Pension Scheme (GPPS).

According to data in the table in this section, the total public social security and health care expenditure as percentage of GDP in Malawi (5.9% of GDP) is on a middle range in comparison with the countries in Africa. There has been a positive growth trend of 13% on government expenditure in health, but remains very low and covers only US\$3.7 per person.

In general there is little data and information on benefits, coverage and contributions to pension schemes, except the proportion of elderly receiving an old age pension, which was 4.1% in 2010. This proportion in Africa has an average of 21.4% and places Malawi in a group of countries in Africa with the lowest proportion of old age pensions.<sup>76</sup>

In 2008 there were around 150,000 workers covered by private schemes, and there were 125,000 government employees.

Work injury benefits are provided under the Worker's Compensation Act.<sup>77</sup> It only applies to formal workers and not to casual workers, self-employed persons, family workers or armed forces personnel. The compensation or insurance cost rests on the employer, with no pooling of risk across the labour market.<sup>75</sup>

Non-contributory social safety nets are almost only food support programmes for the most vulnerable. These include the elderly, the chronically sick, orphans and other vulnerable children, persons with disabilities, and destitute families. Over 20% of households benefitted from some of these programmes, in particular in the Southern Region. People benefitted from the programmes between one and eight months depending on the programme. Cash transfer programmes also existed, but only 0.2%-0.4% of the population had received benefits.<sup>78</sup>

The country has no occupational safety and health policy. A large share of respondents of the previous mentioned EESE survey, 43% believe that occupational safety and health (OSH) practices are not very well sensitized and implemented by enterprises in the country.<sup>79</sup>

There are no government programs that provided social protections for workers in the informal economy. The only major health insurance provider in Malawi is the Medical Aid Society and 95% of its members are formal workers.<sup>80</sup> Thus, there are few viable schemes for workers in the informal economy apart from loans schemes established by government such as the Youth Development Fund (YEDEF) and the Malawi Rural Development Fund (MARDEF), and Income Generating Programme.

Despite the challenges, there has been noteworthy progress in reducing the spread of HIV/AIDS: HIV prevalence has decreased from 12% to 10.6%, and mortality as a share of overall deaths declined from 11% to 3%, according to the 2010 Malawi Demographic and Health Survey. However, there are rapidly growing problem of HIV/AIDS.

## General Economic Performance

Key Facts <sup>81</sup> (2013 est.)				
GDP (US\$)	GDP per capita (PPP)	GDP growth	HDI <sup>82</sup> (2012)	Gini Index (2004)
3.7 billion	US\$ 900 221 of 229 countries	5.0 %	0.418 170 of 187 countries	39 69 of 137 countries
<p>The Human Development Index (HDI) measures the average of a long and healthy life, access to knowledge and a decent standard of living.</p> <p>This Gini Index is measured if income were distributed with perfect 'equality', the index would be zero; if income were distributed with perfect 'inequality', the index would be 100.</p>				

Doing business	Control of corruption	Government effectiveness	Rule of Law
164 of 189 countries	-0.54 (2007) -0.45 (2012)	-0.56 (2007) -0.50 (2012)	-0.19 (2007) -0.24 (2012)
<p>A high ranking on the Ease of Doing Business Index means the regulatory environment is more conducive to the start-up and operation of a local firm.<sup>83</sup></p> <p>The selected Governance Indicators cover the years 2007 and 2012 and ranging from -2.5 to 2.5; i.e. negative tendencies below the zero mean and unit standard deviation, score negative measurements.<sup>84</sup></p>			

Malawi remains a low income development country with an estimated GDP per capita of US\$900 in 2013. It is far behind the Sub-Saharan average and is ranked 170 out of 187 countries surveyed in the Human Development Index.

The economic policies under the former president, who died from a heart attack in April 2012, were increasingly authoritative and mismanaged. Among others, donors suspended general budget support in 2011 due to a negative IMF review and governance issues. Despite the change of the presidency and policies, there remain concerns about economic governance.<sup>85</sup> On the other hand, the economic prospects remain positive as recovery is taking hold.

Previously, the economic growth had been well above the Sub-Saharan average at around 7%; but started to decrease from 8.9% in 2009 to 6.7% in 2010 and 5.8% in 2011 and plummeted to 1.9% in 2012. It is projected to 6.1% and 6.2% in 2014 and 2015, respectively.

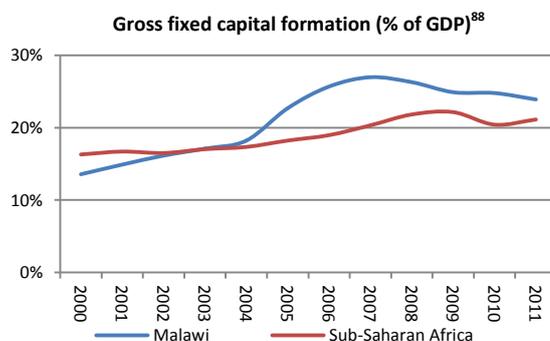
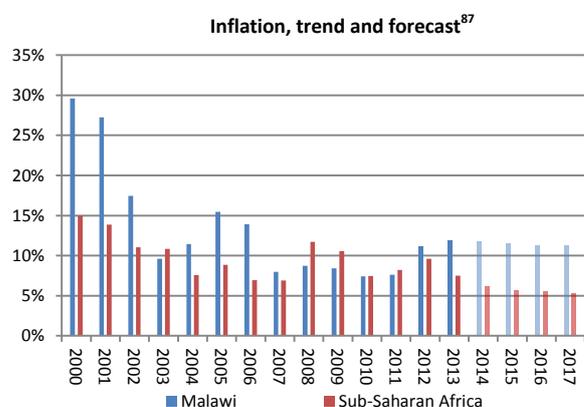
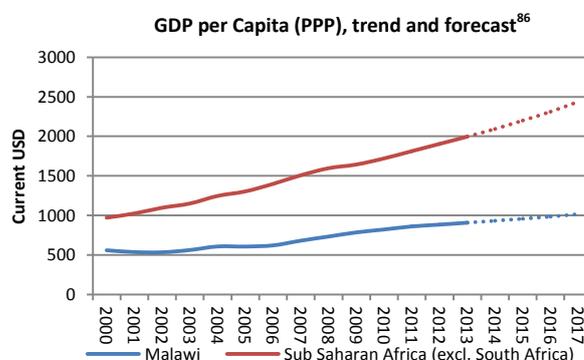
The inflation has been high but estimated that it will be around 11% in the coming years. For consumers, food and fuel prices were eased in 2013.

Agriculture, which has benefited from fertilizer subsidies since 2006, accounts for one-third of GDP

and 90% of export revenues. The performance of the tobacco sector is a key to short-term growth as tobacco accounts for more than half of exports.

Capital formation has increased to a rate higher than Sub-Saharan Africa's average, but has decreased during the economic hardships since 2007.

The Doing Business indicators rank Malawi very low as 164 out of 189 countries; and dropped down on one step from 2013/14. On the three Governance indicators, Malawi scores low on each indicator.

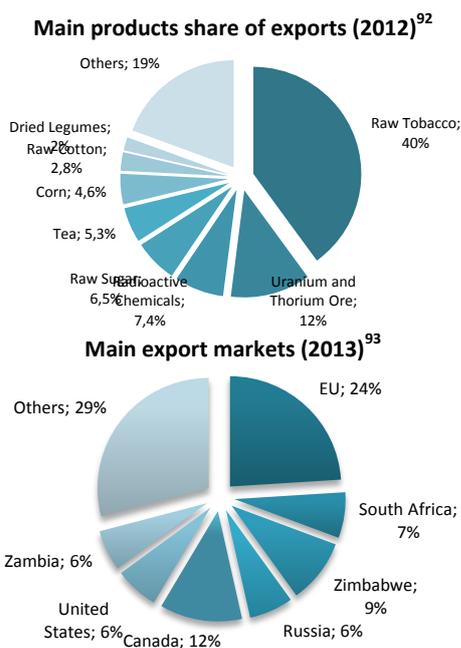


## Trade

Trade and Foreign Direct Investment <sup>89</sup> (2013 est.)			
Exports	Imports	FDI flow <sup>90</sup> (average 2008-12)	FDI Stock
1.4 billion US\$	2.4 billion US\$	120 million US\$	N/A
39 % of GDP	66 % of GDP	2.4 % of GDP	

The Government launched its first Malawi National Export Strategy 2013-2018 which aims to move into the export of high value goods and services, and to reducing Malawi's reliance on the export of raw or semi-raw commodities. So far, Malawi's exports are dominated by tobacco production. Earnings from tobacco have decreased by more than 75% in 2012. The government has criticized the EU's revised Tobacco Products Directive, which was approved by the European Parliament in February 2014, to the extent it can affect the country's economy. Mining has started to have a larger share of exports with the Kayelekera uranium mine opening in 2009.<sup>91</sup>

Malawi has experienced some setbacks, among others a general shortage of foreign exchange, which has damaged its ability to pay for imports, and fuel shortages that hinder transportation and productivity. Foreign Direct Investment (FDI) has fallen continuously for several years since 2008, but it is slowly rebounding again, and in 2012 reached 3% of GDP.



### Trade agreements

Malawi is in the 2000 Cotonou Agreement on development cooperation between EU and African, Caribbean and Pacific (ACP) countries, which reaffirms commitment to ILO's Fundamental Conventions and includes provisions on cooperation on various labour and social issues.<sup>94</sup>

Since 2000, Malawi has benefitted from the United States' African Growth and Opportunity Act (AGOA), which is a Generalised System of Preferences. It allows duty and quota free access for some products. Malawi can be removed from AGOA, if the United States deems that Malawi among other human rights issues do not seek to uphold the ILO Core Labour Standards and have acceptable minimum wages, hours of work and occupational safety and health.<sup>95</sup>

In a bid to increase market access for its products Malawi has also signed bilateral trade agreements with South Africa, Zimbabwe, Botswana, Mozambique, and China.<sup>96</sup>

### Export Processing Zone (EPZ)

All companies engaged exclusively in manufacture for export may apply for EPZ status. As of November 2012, 16 were operating under the EPZ scheme. Almost all these companies are foreign owned companies though the law does not discriminate on ownership. A Manufacturing Under Bond (MUB) scheme offers slightly less attractive incentives to companies that export some, but not all, of their products. Most investors prefer to operate under EPZ arrangement.<sup>97</sup>

There are no special laws or exemptions from regular labor laws in EPZs, but the Parliament passed the Export Processing Zones Amendment Bill in June 2013 to restructure the regulations of the EPZs.

According to a 2007 study commissioned by the government,<sup>98</sup> the Export Processing Zone has created less FDI, employment and diversification of exports than expected. The employment creation was up to 15,000 jobs until 2004, mainly in unskilled jobs.

The labour laws apply in the export processing zone, though anti-union harassment is common, and union organizers have little access to workers in the EPZ.<sup>99</sup>

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