

# LABOUR MARKET PROFILE 2019



## MALAWI

Danish Trade Union  
Development Agency,  
Analytical Unit



ULANDSSEKRETARIATET – DTDA  
DANISH TRADE UNION DEVELOPMENT AGENCY



## PREFACE

The Danish Trade Union Development Agency (DTDA) is the international development organization of the Danish trade union movement. It was established in 1987 by the two largest Danish confederations – the Danish Federation of Trade Unions (Danish acronym: LO) and the Danish Confederation of Professionals (Danish acronym: FTF) – that merged to become the Danish Trade Union Confederation (Danish acronym: FH) in January 2019. By the same token, the former name of this organization, known as the LO/FTF Council, was changed to the DTDA.

The outset for the work of the DTDA is the International Labour Organization (ILO) Decent Work Agenda (DWA) with the four Decent Work Pillars: Creating decent jobs, guaranteeing rights at work, extending social protection and promoting social dialogue. The overall development objective of the DTDA's interventions in the South is to eradicate poverty and support the development of just and democratic societies, by furthering the DWA.

The Council works in partnership collaboration with trade union organizations in Africa, Asia, Latin America and the Middle East. The immediate objective of the program collaboration is to assist the partner organizations to become change agents in their own national and/or regional labour market context, capable of achieving tangible improvements in the national DWA conditions.

Support for development of strong, independent and democratic trade union organizations, as well as well-functioning and sustainable labour markets and framework conditions conducive for business and economic development contributes towards the creation of inclusive growth with due respect of human (labour) rights, thus towards the achievement of the United Nation's Sustainable Development Goals (SDGs), notably in labour market related indicators.

The Labour Market Profiles (LMP) provide a comprehensive overview of the labour market situation in the individual countries of engagement. The LMPs aim at giving a picture of structures, developments and challenges in the labour markets portrayed. They are divided into ten thematic sections describing trade unions, employers' organizations, tripartite fora and institutions, national labour legislation, violations of trade union rights, wages and working conditions, status

of the workforce, education, social protection, and economy.

The LMPs are reporting on several key indicators within the framework of the DWA and the SDG8, and address a number of aspects of labour market development such as the trade union membership evolution, social dialogue and bi-/tri-partite mechanisms, policy development and legal reforms, status vis-à-vis ILO conventions and labour standards, among others.

Main sources of data and information for the LMPs are:

- As part of program implementation and monitoring, national partner organizations provide annual narrative progress reports, including information on labour market developments. Furthermore, specific types of data and information relating to key indicators are collected by use of a unique data-collection tool. This data collection is done and elaborated upon in collaboration between the DTDA Sub-Regional Offices (SRO) and the partner organizations.
- National statistical institutions and international databanks are used as source for collection of general (statistical) data and information. This includes the ILOSTAT and NATLEX, World Bank Open Data, ITUC Survey of violations of Trade Union Rights, the U.S. Department of State as well as other labour related global indexes.
- Academia and media sources (e.g. LabourStart, national news, etc.) are also used in the general research on labour market issues.

Through the compilation of information and data from the different sources, the Danish Trade Union Development Agency aims at providing easy access to core labour market data from a wide range of national and international sources as well as adding relevant data and information obtained from partner organisations and from staff and Sub-Regional Offices in the countries/regions mentioned.

Labour Market Profiles for more than 30 countries are available on the DTDA website:

<http://www.ulandssekretariatet.dk/content/landeanalyser>).



## ACKNOWLEDGMENT

This Labour Market Profile was prepared by the DTDA's Analytical Unit in Copenhagen. It could not compile information and data collection on key labour market indicators without the support from the DTDA Eastern Africa sub-Regional Office in Tanzania along with the Malawi Congress of Trade Unions (MCTU).

The front page's photo is from a campaign by the Malawi Commercial, Industrial & Allied Workers Union (CIAWU) that affiliated more than 4,000 new members, which include Dave and Mary. The picture was photographed by Signe Dam Lokowski.

Should you have questions about the profiles, you can contact Kasper Andersen ([kan@loftf.dk](mailto:kan@loftf.dk)), Manager of the Analytical Unit and Kristian Lybæk ([krl@loftf.dk](mailto:krl@loftf.dk)), International Advisor and Head of the DTDA Sub-Regional East Africa Office in Tanzania.

Address:

Ulandssekretariatet

Islands Brygge 32D

DK-2300 Copenhagen S

Denmark

Telefon: +45 33 73 74 40

<http://www.ulandssekretariatet.dk/>



## EXECUTIVE SUMMARY

In Malawi, new policies were launched in recent years to restructure the public sector with a motive to give an economic boost and job creation through entrepreneurship development. The results have been meagre, and it remains not easy doing business in the formal sector. The country has experienced significant economic growth over the last decade but continues to be one of the poorest countries in the world. A small middle-class segment is evolving very slowly. High inflation in consumer prices is squeezing the cost of living, and it eroded wage increases during the last decade.

Only two minor legal reforms on the labour market have been approved in recent years. Labour laws have flaws concerning the international standards on the right to organize, the rights to collective bargaining and the right to strike. Organized workers have experienced repeatedly violations of their trade union rights. With more than four out of five (83%) operating in the informal economy, a vast majority of workers are not covered by the labour market regulations in practice. A forum dealing with informal economy workers is still in its infancy, but the Tripartite Labour Advisory Council (TLAC) recently included informal economy issues.

Albeit tripartite structures are functioning in Malawi, several central institutions are not very active due to a lack of budget limitations and political will. The Industrial Relations Court has a substantial backlog of cases posing a threat to industrial peace. Social dialogue on the labour market is often challenged by insufficient knowledge and awareness of the roles in terms of labour relations and workers' rights. Collective Bargaining Agreements (CBAs) are applied in Malawi, but with very low coverage of the workforce. Employees and trade union members often lack knowledge and awareness of CBAs content just as employers often resist entering CBAs in the workplace.

Employment went through a weak structural transformation during the last two decades: employment stays dominated in the agricultural sector, which is notorious for its vulnerable and uncertain working conditions along with low labour productivity. Manufacturing employment has a very low proportion (4.1%) of total employment. A dysfunctionality of the labour market in Malawi is mirrored in the statistical 'broad' unemployment rate, estimated at 21%. A swelling

youth bulge demands a fast-growing job creation in the formal sector, but it performs sluggishly. At the same time, the country has some of the lowest wages in Southern Africa, which has triggered more and more youth migrating out of the nation. Urbanization is slow-moving while internal rural-rural migration is more frequent.

The education system is struggling to keep children in school. Poverty pushes almost one out of two (52%) children into informal employment. Net enrolment in primary education is relatively high, but close to half of students (45%) are not completing their basic schooling. Enrolment in secondary education is on the rise; on the other hand, the tertiary level hit rock bottom. Despite only 1.3% completed the formal vocational training, social partners promote more practical and affordable courses. All this gives an overall picture where four out of five (83%) of the youth in Malawi are facing with high skills mismatches on the labour market.

Around one out of five (21%) of the population is covered by at least one social protection benefit in Malawi. Its scope is still not contributing to a significant poverty reduction. Informal workers have access (voluntarily) to schemes with only a few benefits and lack of incentives to enrol, and providers have not yet designed systems to improve the services.

Stark gender inequality continues on the labour market that is partly due to its patriarchal structures. Gender gaps are reflected in pay gaps that favour men and more women are forced into vulnerable and casual employment.

Employers in Malawi register weaknesses in the cooperation in labour relations; and they often show anti-unionism. In 2018, unionism witnessed a slowly declining trade union density down to 1.9% of total employment. The trade union movement suffers from weak government enforcement of national policies. It furthermore faces a lack of awareness of trade unionism in workplaces and a loss of memberships due to restructuring or downsizing in a range of sectors like in the security services. Strike actions have been rampant in the public health, education and agriculture sectors with a focus on improving working conditions, payments of salary arrears, among others.



The two tables below provide a brief overview of the labour market in Malawi. The first one is based on key indicators that are followed by the DTDA in collaboration with the Malawi Congress of Trade Unions (MCTU). Two additional indicators – violation of trade union rights and improved labour-employer relations – are included in this table to summarize an overall status of trade unions rights

violations and employers' organizations view on labour-employer relations. 'Yes' and 'No' measurements are based on assessments by the DTDA Sub-Regional Offices and partners. The next page presents an overview of Sustainability Development Goals indicators' value and targets related to labour market issues.

### Status of key labour market indicators in the framework of the Decent Work Agenda (DWA) in Malawi, 2018

Creating decent jobs	
Policy reforms addressing creation of decent employment	Yes – A wide range of policies were adopted and approved in 2018, which includes industrial policy reform to improve labour productivity, mismatch of skills and job creation through entrepreneurship. Also a youth well-being policy is approved and adopted just as the National Employment and Labour Policy (NELP) sets strategies to address decent work deficits and employment related challenges in Malawi.
ILO standard setting on improvement of status of workers from the informal economy	Yes – MCTU developed a social dialogue model for informal workers in 2018 to guide trade unions in engaging social partners (Government, employers and other relevant institutions i.e. financial institutions) on issues affecting workers in the informal economy. The Tripartite Labour Advisory Council (TLAC) discusses general workers' issues and labour issues affecting informal workers. However, Tri-partite National Informal Economy Forum is not present.
Guaranteeing rights at work	
Growth in partner trade union members from year 2017 to 2018 (%)	1.0%. The Musician Union of Malawi (MUM) with 1,200 members and the Association of Magistrates (AMA) with 170 members were affiliated to MCTU in 2017.
Violations of trade union rights	Ranking 2 out of 5 (5+ is worst). *
Labour legislation is improved according to ILO standards	Yes – New minimum wage in 2017; Youth employment policy adopted voluntary internship schemes.
Partner organizations with minimum 30% women representation in decision-making bodies	Yes – Above 40 % of the leadership positions and decision making bodies in partner organizations are women.
Extending social protection	
Health social protection coverage as % of total population in partner countries	2.4 %
Workers from the informal economy have access to national social security schemes	Yes – But accessibility is most often not conducive due to lack of appropriate resources, i.e. too expensive for informal workers.
Promoting social dialogue	
Trade union density of total employment (%)	1.9 %
Trade union density of employees (%)	5.2 %
Cooperation in labour-employer relations	Ranking 101 out of 137 (1 is best). **
Number of Collective Bargaining Agreements (CBAs)	84 (1 new CBA was concluded in 2017).
Workers' coverage of Collective Bargaining Agreements to employees	N/a
Bi-/tri- partite agreements concluded	A minimum wage review has been concluded as a tripartite agreement. This gives the workers a 39% increase of minimum wages in the public sector. Additionally, to ease the working environment among informal workers, MCTU guided MUFIS in engaging in local social dialogue, which led to signing a MoU. There are no sectoral minimum wages in the private sector yet.

\* This is interpreted as repeated violations of rights' Countries with a rating of 2 have slightly weaker collective labour rights than those with the rating 1. Certain rights have come under repeated attacks by governments and/or companies and have undermined the struggle for better working conditions. (Source: ITUC, Global Rights Index). \*\* This indicator is based on data from the Global Competitiveness Index that represents employers' opinion from surveys (Source: World Economic Forum). Other sources: MCTU, DTDA Sub-Regional Office data collection, and DTDA research and calculations.



### Status of key Sustainable Development Goals in labour market related issues in Malawi, 2018

Indicators	Value	Year	SDG Targets
1.1.1: Working poverty rate (percentage of employed living below US\$1.90 PPP)	66 %	2018	By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.
1.3.1 Proportion of population covered by social protection floors/systems	21 % *	2016	Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.
5.5.2: Female share of employment in managerial positions	16 %	2013	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
8.2.1: Annual growth rate of real GDP per employed person	0.8 %	2018	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.
8.3.1: Proportion of informal employment in non-agriculture employment	96 %	2012	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
8.3.1: Male	94 %	2012	
8.3.1: Women	97 %	2012	
8.5.1: Average hourly earnings of women and men employees	-	-	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
8.5.2: Unemployment rate (Total)	6.0 %	2013	
8.5.2: Unemployment rate (Total, 15-24 years)	8.0 %	2013	
8.5.2: Women, 15+	6.9 %	2013	
8.5.2: Women, 15-24 years	8.5 %	2013	
8.5.2: Men, 15+	4.9 %	2013	
8.5.2: Men, 15-24 years	7.4 %	2013	
8.6.1: Proportion of youth (15-24 years) not in education, employment or training	15 %	2012	By 2020, substantially reduce the proportion of youth not in employment, education or training.
8.6.1: Women	23 %	2012	
8.6.1: Men	8.2 %	2012	
8.7.1: Proportion and number of children aged 5-17 years engaged in child labour (Total)	17 %	2013	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
8.7.1: Girls	16 %	2013	
8.7.1: Boys	19 %	2013	
8.8.1: Frequency rates of fatal and non-fatal occupational injuries	-	-	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
8.8.2: Level of national compliance with labour rights (freedom of association and collective bargaining)	-	-	
9.2.2: Manufacturing employment as a proportion of total employment	10 %	2012	Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.
10.4.1: Labour income share as a percent of GDP	-	-	Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

\* Value of population covered by at least one social protection benefit (Contingency), see more in Table 16.

Source: [United Nations, Sustainable Development Goals, Knowledge Platform](#) and [ILO, Key Indicators of the Labour Market \(KILM\)](#)



## COUNTRY MAP



Source: CIA, *The World Factbook*



## TABLE OF CONTENTS

<b>PREFACE</b> .....	<b>I</b>
<b>ACKNOWLEDGMENT</b> .....	<b>II</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>III</b>
Status of key labour market indicators in the framework of the Decent Work Agenda (DWA) in Malawi, 2018 .....	iv
Status of key Sustainable Development Goals in labour market related issues in Malawi, 2018 .....	v
<b>COUNTRY MAP</b> .....	<b>VI</b>
<b>TRADE UNIONS</b> .....	<b>1</b>
<b>EMPLOYERS' ORGANISATION</b> .....	<b>2</b>
<b>CENTRAL TRIPARTITE STRUCTURES</b> .....	<b>3</b>
Social dialogue .....	4
<b>NATIONAL LABOUR LEGISLATION</b> .....	<b>5</b>
<b>Observations on the labour legislation</b> .....	6
<b>Ratified ILO Conventions in Malawi</b> .....	6
Trade Agreements.....	7
Labour policies .....	7
<b>TRADE UNION RIGHTS VIOLATIONS</b> .....	<b>8</b>
<b>WORKING CONDITIONS</b> .....	<b>8</b>
<b>WORKFORCE</b> .....	<b>9</b>
Unemployment and Underemployment .....	11
Sectoral Employment .....	12
Migration .....	13
Informal Economy .....	15
Child Labour .....	16
Gender .....	17
Youth.....	18
<b>EDUCATION</b> .....	<b>20</b>
Vocational training.....	21
<b>SOCIAL PROTECTION</b> .....	<b>21</b>
<b>ECONOMIC PERFORMANCE</b> .....	<b>24</b>
Export Processing Zone (EPZs) .....	25
<b>APPENDIX: ADDITIONAL DATA</b> .....	<b>27</b>
Table 20: Status of Trade Union Membership and Collective Bargaining Agreements (CBAs) in Malawi, 2017-2018.....	27
Table 21: Status of ratified ILO Conventions in Malawi .....	28
Table 22: Ease of Doing Business in Malawi, 2019 .....	28
Table 23: Informal workers access to national social security schemes in Malawi, 2018 .....	29
<b>REFERENCES</b> .....	<b>30</b>







## TABLES

Table 1: Status of trade unions in Malawi, 2018 .....	1
Table 2: Employers' view of the labour market efficiency in The Philippines, 2018 .....	2
Table 3: Status of Monthly Wages in Malawi.....	8
Table 4: Status of Working Conditions in Malawi.....	9
Table 5: Estimations of employment-to-population ratio in Malawi and the Southern Africa, Age and Sex distribution, 2018 .....	10
Table 6: Unemployment and underemployment in Malawi and Southern Africa average, 2018 .....	11
Table 7: Employed persons per sector in Malawi, %, 2013.....	12
Table 8: GDP share by sector and GDP share per workers in Malawi, 2013.....	13
Table 9: Migration Facts in Malawi.....	14
Table 10: Status of informal economy in Malawi.....	15
Table 11: Distribution of total workforce in informal employment and in formal employment by employment status in Malawi, 2016 .....	16
Table 12: Status of child labour .....	16
Table 13: Workforce key indicators gender gaps in Malawi, 2018 .....	18
Table 14: Youth unemployment rate (broad definition), 2013 .....	18
Table 15: Employment by education in Malawi, % of employment distribution, 2013.....	20
Table 16: Proportion of population covered by social protection floors/systems in Malawi, %, 2016.....	22
Table 17: Status of public spending and coverage on social protection schemes in Malawi and sub-Saharan Africa (SSA), 2015/16.....	22
Table 18: Key economic data in Malawi .....	24
Table 19: Estimation and projection of employment by economic class in Malawi, 2000-2020 .....	25
Table 20: Status of Trade Union Membership and Collective Bargaining Agreements (CBAs) in Malawi, 2017-2018.....	27
Table 21: Status of ratified ILO Conventions in Malawi.....	28
Table 22: Ease of Doing Business in Malawi, 2019 .....	28
Table 23: Informal workers access to national social security schemes in Malawi, 2018 .....	29

## FIGURES

Figure 1: Minimum wage per month in Malawi, current Kwacha and US\$, 2013-2017.....	9
Figure 2: Estimations and projections of status of employment in Malawi, %, 2000-2020.....	10
Figure 3: Estimations and projections of labour productivity trend, 2000-2020 .....	10
Figure 4: Estimations and projections of employment by aggregate sector in Malawi, 2000-2020.....	12
Figure 5: Aggregate sector share in Malawi, % of GDP, 2000-2017 .....	13
Figure 6: Net migration trend in Malawi, 1998-2017.....	14
Figure 7: Women in Management and Ownership in Firms 2014, Women participation, % .....	18
Figure 8: Qualifications mismatch of youth in Malawi, % of employment .....	19
Figure 9: School Enrolment, Male and Female, Malawi and the sub-Sahara Africa (SSA), %, 2005-2016 .....	20
Figure 10: Out-of-pocket expenditure (% of current health expenditure), %, 2006-2015.....	22
Figure 11: GDP per capita growth and inflation, %, 2008-2017 .....	24



## TRADE UNIONS

It was not until the middle of the 1940s that the organized labour movement emerged in Malawi. Unionism has been a little segment of the total workforce, and it has undergone a volatile phase over the past seven decades. The political context has been an influential factor in the way trade unionism has developed in the country.

The main trade union centre is the Malawi Congress of Trade Unions (MCTU). Another federation, the Congress of Malawi Trade Unions (COMATU), was a breakaway union from MCTU that peaked at around 7,000 members in 2006 and entered into a downturn. MCTU is affiliated to the International Trade Union Confederation (ITUC).

MCTU was re-established in 1995 after having been banned during the years when Malawi had a one-party state under Hastings Banda. Seventeen unions were affiliated in 1999, and, today, the number has risen to 24 unions. Three new institutions were affiliated to the MCTU in 2017 and 2018: Musician Union of Malawi (MUM), the Association of Magistrates (AMA), and Chemicals, Mining and Aligned Workers Union (CMAWU). This federation represented at least 149,000 members (paying dues) in 2018, and they are present in all economic sectors (Table 1 and Appendix Table 20). The membership rate was increasing by 1.1% in the period from 2014 to 2018. The trade union density (i.e. the share of the membership to employment) dropped from 2.2% to 1.9% in the same period due to the evolution of trade union membership was lower than the total employment growth.

**Table 1: Status of trade unions in Malawi, 2018**

Number of trade unions affiliated to MCTU	24
Trade union members (MCTU, paying dues)	149,125
Trade union membership growth, 2014-2018, % (MCTU)	1.1 %
Trade union density (employment)	1.9 %
Trade union density (employees)	4.9 %
Women member share of trade unions (MCTU)	27 % *
Members of affiliated trade unions from the informal economy	43,000 **

\* This covers only 13 out of 24 trade unions from MCTU (see also Appendix Table 20).

\*\* All members from MUFIS, TOAWUM and QMIWU and data stem from 2015.

Source: MCTU and own calculations on trade union density.

Some of the reasons for the low trade union density in Malawi and the slow progress in organizing members are related to internal and external challenges such as slow organising and service delivery and anti-union discrimination from employers, low knowledge levels on labour laws and policies, and weak job creation. Furthermore, the national economy is undergoing a restructuring of the public sector resulting in privatization of public enterprises that negatively affect trade union affiliation.<sup>1</sup>

The trade union movement is in the process of reviewing its financial base, subscription and affiliation fee structures (Table 1). A key challenge is that low-income levels among workers weigh the benefit of joining unions, and to some extent, several affiliated unions suffer from low visibility.<sup>2</sup> The latest Malawi Labour Force Survey from 2013 revealed that reasons for not belonging to trade unions or employees' associations are most often due to a lack of knowledge of trade unions (52%), followed by lack of awareness of any unions to join in workplace (22%) or that they have not been approached to join (5.8%).

Within MCTU affiliated unions, 27% of women trade unionists are active in 13 out of 24 trade unions (Table 1 and Appendix Table 19). Within MCTU, female trade union leadership positions and decision-making bodies occupied close to 40% in 2018. MCTU has revised its constitution to include women and youth structures in the Southern Africa Trade Union Co-ordination Council (SATUCC) policy on gender and youth. The organization moreover developed a policy on a 50/50 participation of both women and youth in MCTU activities.<sup>3</sup>

MCTU has been dissatisfied with the way the government is handling public issues and is currently advocating for a higher degree of social dialogue from the authorities (see also Table 2 below on employers' organizations view on the indicator on cooperation in labour-employer relations).<sup>4</sup> In recent years, MCTU has put a universal social protection scheme high on the national agenda and has been advocating for minimum wages to match current price increases (see also the section: Working Conditions). Also, the Government withholding of salaries of low-paid public employees (teachers especially), low tax-free bands, ignorance of rights abuses in Chinese/Indian industries and child labour are of critical concerns to MCTU.



Four trade unions have expressed interest in affiliating to MCTU. Several leading trade unions experienced a high influx of members in recent years, e.g. the Transport General Workers Union (TGWU), the Teachers Union of Malawi (TUM), and the Commercial, Industrial & Allied Workers Union (CIAWU). On the negative side, Tobacco Tenants Allied Workers Union of Malawi (TTAWUM) and the Textiles Garments Leather Security Services Union (TGLSSU) lost many members (see also Appendix Table 20).

The trade union movement in Malawi is prioritizing to organize informal economy workers. For instance, the Malawi Union for the Informal Sector (MUFIS) is focusing on organizing informal workers and improving their working conditions, including access to relevant services, i.e. financial and social protection, and providing access to business training.<sup>5</sup> MUFIS is open to all informal workers and currently represents approximately 2,500 members. 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 branch. About 65% of the members are women while 35% are men. Members work in different sectors and a combination of unions: most MUFIS members are Small and Medium Enterprises (SMEs), vendors, and self-employed, domestic workers while the Plantation and Agriculture Workers Union (PAWU) covers informal construction workers and tea farmers.

MCTU and MUFIS/CIAWU shared Memoranda of Understanding (MoU) with Lilongwe, Mzuzu and Zomba City Councils in 2017 to intensify local social dialogue (on ILO conv. 189 and rec. 204). Besides, MCTU with the support from the International Labour Organization (ILO) developed a social dialogue model for the informal economy to guide affiliates in engaging social partners (e.g. local government, employers/financial institutions) on issues affecting informal workers.<sup>6</sup>

Since 2014, the Commercial, Industrial and Allied Workers Union (CIAWU) also took steps to affiliate organized informal workers to the union. CIAWU registered a growth of membership at 28% in the period from 2014 to 2017 (see also Appendix Table 20 and mirrored in the Front Page photo).

## EMPLOYERS' ORGANISATION

Based on estimations from the ILO, around 1.3% of the total employment in Malawi consisted of employers. The Global Competitiveness Index provides the Malawians' employers' view on a wide range of aspects, including labour market efficiency. The latter is elaborated upon surveys among employers and other statistical data. Employers considered the labour market as effective on a medium level, ranking 76 out of 140 countries (1<sup>st</sup> is the best) in 2018.

Out of the 12 labour market efficiency indicators in Table 2 below, the highest, high-medium, ranking was labour tax rate as 44 out of 140 countries followed by internal labour mobility at 61. On the other hand, the indicators Active Labour Policies and the Cooperation in Labour-employer Relations have the lowest rankings at 115 and 111 out of 140 countries, respectively. The two latter's values reflect a vulnerable social dialogue environment and weak implementation of labour policies in Malawi.

**Table 2: Employers' view of the labour market efficiency in The Philippines, 2018**

Indicator	Rank *
Total	76
Redundancy costs (weeks of salary)	71
Hiring and firing practices	83
Cooperation in Labour-employer relations	111
Flexibility of wage determination	67
Active labour policies	115
Worker's rights	N/a
Ease of hiring foreign labour	74
Internal labour mobility	61
Reliance of professional management	80
Female participation in Labour force	81
Labour tax rate %	44
Pay and productivity	99

\* Rank from 1 to 140 (1 is highest).

Source: [The Global Competitiveness report 2018- Pillar 8](#)

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

ECAM was registered in 1963 under the Trustees Incorporation Act shortly before Malawi's independence as subscribing employers' trade association representing. An estimated 250 organizations are in direct membership, which includes six sectoral trade associations in 2017.<sup>7</sup> The leading role of ECAM is to protect the interests of employers on social and labour policy.<sup>8</sup> ECAM also focuses on gender, Occupational Health and Safety (OHS), Collective Bargaining Agreements (CBAs) 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, Small and Medium Enterprises (SME) Development etc.

According to ECAM, some of the main 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. Another issue is that ECAM is struggling to organize and recruit SMEs, which is related to that the organization does not represent this segment. On the other hand, this situation has created problems for trade unions and MCTU since it complicates the dialogue with SMEs or micro-employers, e.g. households to enter into Collective Bargaining Agreements.

In January 2018, ECAM through the national Tripartite Labour Advisory Council initiated consulting on proposed amendments to the Employment Bill and Labour Relations Act in 2017. Among others, this draft Amendment Bill proposes to provide for an employer's right to deduct money from the earnings of an employee who is on strike (see also the section: National Labour Legislation).<sup>9</sup>

The organization also expanded their cooperation with the ILO and has initiated projects concerning reduction of child labour in support of Education-ARISE II and Work Integrated Learning-WIL. ECAM furthermore conducted a pilot project namely Work Integrated Learning where a sample of 14 informal economy construction workers were trained in vocational skills for two weeks and later attached to local construction companies for short-time placement. Now they are all formally employed in the same companies.<sup>10</sup>

## CENTRAL TRIPARTITE STRUCTURES

This chapter outlines the main tripartite institutions that contribute to creating economic policy through cooperation, consultation, negotiation, and compromise on the labour market. Generally, information about the status of these institutions is scarce.

### Tripartite Labour Advisory Council (TLAC)

TLAC is composed of 12 members, four each from the government, trade unions and employers' organizations. By law, it provides to the government on labour and employment issues, including the promotion of collective

bargaining, minimum wage, the labour market, review of the operation and enforcement of the Employment Act, informal economy and any other acts relating to employment.

In practice, the institution is limited to basic labour issues like wages and strikes; and it has not been very active due to lack of funding and political will. Few meetings were conducted in 2016 and 2017 discussing the minimum wage setting (see also the section: Working Conditions). Attempts were launched in April 2018 to revamping and re-launching this Committee to strengthen social dialogue on employment issues and ensuring adequate funding for employment promotion activities.<sup>11</sup> No any other meetings conducted in the past three years.

### Industrial Relations Court (IRC)

Industrial disputes are regulated under the Labour Relations Act. A dispute, which cannot be settled, can be referred to the Industrial Relations Court. IRC is composed of a Chief Justice and five members each from employees and employers. Ministry of Labour must apply to the IRC to determine whether a particular strike involves an "essential service" and an interruption that could endanger the life, health, or personal safety of parts of the population. The Act does not provide a specific list of 'essential services', though. There is no official registry for strikes at the Ministry of Labour. MCTU recorded 12 strikes in the period from January to June 2018.

Arbitration rulings have legally been enforceable. Data show that 589 cases were received in IRC in 2017; and from January to September 2018, 503 cases were received, and 217 were resolved. Generally, due to lack of funding and a heavy case backlog, IRC could not monitor cases or adequately enforce the laws. In addition, a shortfall of this system is that many stakeholders on the labour market lack sufficient knowledge of roles in labour relations and disputes.<sup>12</sup>

The government proposed reform in 2017 to restructure the IRC to exclude the requirement of employer and employee panelists. This reform has not yet been approved.

### National Construction Industry Council of Malawi (NCIC)

NCIC was established by an Act of Parliament in 1996 with the mandate to regulate, develop and promote the construction industry in Malawi. The role of the institution is



to create an enabling environment that will not only facilitate the fulfilment of its mandate but also provide the drive and organizational structure to raise quality levels across the industry among local and foreign players thereby enhancing full appreciation of the interests of the construction industry by all stakeholders.

It is mandatory to all contractors, consultants and construction material manufactures/suppliers, both local and foreign, to register with NCIC before undertaking or completing any construction work in Malawi. All applications for registration or upgrading shall pass through the Registration Committee for assessment and recommendations before the final decision is made by the NCIC Board.<sup>13</sup> According to the NCIC membership directory, a total of 994 companies were registered in October 2018.<sup>14</sup> NCIC also covers specific incidents concerning dispute resolution, wage negotiation and industry labour policy development.<sup>15</sup>

Close to 97% of construction work are awarded to foreign companies in Malawi while only 3% is given to locals. NCIC is attempting to provide the local contractors in Malawi a larger share in the construction industry and implementing a sustainable level of work, services, skills and technological transfer.<sup>16</sup>

#### **National Employment Committee (NEC)**

NEC is a new institution that was established in 2018. It is proposed to provide advocacy for pro-employment budgeting tools, mainstreaming pro-employment investment approach in the delivery of rural and urban public works, linking skills development with labour market demands, strengthening capacity to include work-based learning in the TVET system and establishing a strategy for recognition of skills gained informally or non-formally, strengthening coordination amongst ministries.<sup>17</sup>

#### **Other bi/tripartite organs<sup>18</sup>**

- Economic and Social Development Council
- Minimum Wage Advisory Committee
- Social Dialogue Commission
- National Social Security Board
- National Pension Administrator (to be set)
- Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA)
- Thematic Working Group on Trade and Development
- Local assemblies and community groups.

#### **Social dialogue**

Social dialogue covers several aspects: industrial relations, freedom of association and the right to organize, collective bargaining, consultation, examination of grievances and settlement of industrial disputes.

Collective bargaining is regulated by at least 20% of employees (excluding senior managerial staff) who must belong to a union before it can engage in collective bargaining at the enterprise (factory) level, and at least 15% of employees must be union members for collective bargaining at the sector (industry) level. The legislation also provides to the establishment of industrial councils in the absence of collective agreements for sector-level bargaining (see more in the section: National Labour Legislation).

It is important to realize that since around 89% of the Malawian workforce operates in the informal economy, which includes not being embraced by the labour market regulations such as with no official work contracts.<sup>19</sup> On the other hand, survey data reveal that close to one out of five (18%) formal workers belong to collective bargaining at their work place.<sup>20</sup> Most assessments on the capacity of social partners in engaging in social dialogue processes reveal lack of appropriate skills especially from the trade union side. MCTU took the initiative and develop a Social Dialogue Model for trade unions to use for meaningful engagement. This model has assisted unions to engage in meaningful dialogue.<sup>21</sup>

Bi-partite dispute resolution mechanisms are present and happening through Collective Bargaining Agreements (CBAs) where parties outline steps to be followed in case of disputes and other issues that affect partners. However, application of CBAs remains not to be an easy task in Malawi. First of all, employees and trade union members that are covered by the CBAs often lack knowledge and awareness of its content. Secondly, employers often have a high resistance towards having a CBA in the workplace. These aspects are mirrored in weaknesses of signed CBAs. CBA negotiations are often focusing too much on wages at the expense of other conditions of service, such as working hours, job security, and skills development. Survey of CBAs content revealed that compensated excess hours is often not included; few captures on how those infected or affected by HIV/AIDS receive treatment; and applications of gender policies are not clear.<sup>22</sup>



MCTU has registered that 18 out of 24 affiliated trade unions have CBAs. A total of 84 CBAs are recorded in 2017. There are no aggregated data available on CBAs coverage among workers. Notably, the Textiles Garments Leather Security Services Union (TGLSSU) registered 22 CBAs followed by the Transport General Workers Union (TGWU) listed 18 CBAs (see more in Appendix Table 20). Some of the latest undersigned CBAs are between Tobacco and Allied Workers Union of Malawi (TOAWUM) and Tobacco Control Commission (TCC) in 2018 that had provided parameters for employer and employees dialogue.<sup>23</sup>

## **NATIONAL LABOUR LEGISLATION**

Several legislations exist that regulate and set standards and restrictions for the labour market in Malawi.<sup>24</sup> ILO has registered a total 102 national labour, social security and related human rights legislation in the country in October 2018. Only two new pieces of legislation were recorded in the period from 2014 to 2018: i) Trafficking in Persons Act, 2015; and ii) Access to Information Act, 2016.

On the other hand, several law reforms are in the process, which includes the abolition of the Tenancy Labour System, limitations of strikes (identification of essential services), Workers Compensation Fund, and the Occupational Safety and Health (OSH) Act Review. Status of the key labour market legislation is summarized below.

### **Constitution**

The Constitution Act 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.<sup>25</sup>

In February 2017, Malawi's parliament passed reforms of the Constitutional Act with an amendment that sets 18 years as the minimum age of marriage. The amendment was the culmination of efforts across civil society organizations, parliamentarians, traditional and religious leaders, United Nations agencies, and government ministries to strengthen legal protections against child marriage.<sup>26</sup>

### **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. This Act received amendments in 2010.

The government proposed changes to the Employment Act in 2017 to include new provisions such as special working conditions for pregnant women and maternity leave for male employees in formal employment.<sup>27</sup> This reform is not yet approved.

### **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. Equally important, the law does not apply to or benefit the vast majority of workers who operate in the informal economy.

This law allows workers to form and join trade unions of their choice without previous authorization or excessive requirements. Military personnel and police are an exception, though. The legislation also provides unions to conduct their activities without government interference. Workers in the formal sector also have the right to bargain collectively. By the same token, members of a registered union are allowed to strike or go through a formal mediation process supervised by the Ministry of Labour. Members of a registered trade union in essential services have only a limited right to strike. Freedom of association and the right to collective bargaining have been respected for those in the formal sector. However, the government has not adequately enforced the applicable laws because of limited resources and lack of capacity.<sup>28</sup>

The government proposed reforms of this Act in 2017 to list essential services that cannot participate in industrial action such as strike or lockout. This reform has not yet been approved.

### **Pension Act**

The Pension Act of 2011 makes provision for mandatory pension, and matters relating to the supervision and regulation of pension funds and umbrella funds. Previously, there was no legislation governing the private



pension schemes. As demonstrated in this profile's Social Protection section, the general national pension system has flaws on the entitlements and a very low coverage of old age pension.

### **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, protection and child justice; and for matters of social development of the child and connected matters. The prohibition of child labour does not apply to work done in homes, vocational technical schools, or other training institutions, though. The law prohibits child trafficking, including labour exploitation and the forced labour of children for the income of a parent or guardian.<sup>29</sup>

Although the Constitution states that children under 16 of age are entitled to protection from hazardous work, the Employment Act sets the minimum age for hazardous labour at 18. A list of hazardous occupations - Employment Order, 2011 ("Prohibition of Hazardous Work for Children") - was published in the Employment Order from 2012.

### **Observations on the labour legislation**

The International Trade Union Confederation (ITUC) has registered some observations of the legislation in terms of the international standards on the right to organize, rights to collective bargaining and the right to strike.<sup>30</sup>

- Categories of workers prohibited or limited from forming or joining a union, e.g. armed forces and "other categories".
- Excessive requirements in respect to trade unions' representability or a minimum number of members required to bargaining collectively.
- A union must have 20% membership among the workplace/s or categories of employees it aims to represent in bargaining.
- There is a fairly extensive list of requirements that must be included in a union's rules as a prerequisite to registration, but while the list is long, the requirements seem reasonable.
- Limitations on collective bargaining in the armed force, the police and "other categories".

- In terms of the right to strike, there is a seven-day notice period, which, combined with the 21-day conciliation process, may be viewed as excessively long as a minimum period.
- Discretionary determination or an excessively long list of "essential services" in which the right to strike is prohibited or severely restricted.

### **Ratified ILO Conventions in Malawi**

Regarding Malawi ratification of international labour standards, a total of 29 ILO Conventions are ratified. First, the eight Fundamental Conventions are the most important conventions that cover four fundamental principles and rights at work. Malawi has ratified all of them. Second, ILO has designated four Governance Conventions that are important to build national institutions and capacities that serve to promote employment, i.e. these conventions promote a well-regulated and well-functioning labour market. The country has ratified three of these Governance Conventions. Third, ILO furthermore has 183 Technical Conventions, out of which 83 conventions are "Up-To-Date" and actively promoted, i.e. an Up-To-Date Convention is one that is ready for ratification by Member States and/or one that has been examined by the ILO Governing Body and deemed to be still relevant.<sup>31</sup> Malawi has to date ratified 18 of the Technical Conventions (see also Appendix Table 21);<sup>32</sup> Out of 29 Conventions ratified by Malawi, of which 24 are in force, no Convention has been denounced; none have been ratified in the past 12 months.

The latest ratified conventions were 5 Fundamental Conventions from 1999: Forced Labour Convention (C29); Freedom of Association and Protection of the Right to Organize (C87); Abolition of Forced Labour Convention (C105); Minimum Age Convention (C138); and the Worst Forms of Child Labour Convention (C182).

Concerning the Article 22 of the ILO Constitution (i.e. annual reports on ratified Conventions), there were several observations and direct requests adopted by the Comments of the Committee of Experts (CEACR) on eight conventions in 2017.<sup>33</sup> As an example, articles on the Convention on Promotion of Collective Bargaining (C98) were raised regarding the threshold of 20% of employees' membership to bargain collectively. The Government indicates that a consultative process has to be done in this regard, but there has been no formal





complaint from trade unions concerning this requirement and that the current threshold encourages growth in union membership. CEACR recalled that if no union in a specific negotiating unit meets the required percentage for representativeness to be able to negotiate on behalf of all workers, minority unions should be able to negotiate, jointly, or separately, on behalf of their members. The Committee requested the Government to provide information on any measures taken or envisaged with a view to ensuring that the current threshold allows the promotion and development of free and voluntary collective bargaining within the meaning of the Convention.

### Trade Agreements

International trade agreements are approved by the parliament, and their context is relevant to the labour market in Malawi. Among others, 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>34</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>35</sup>

Malawi has since 2008 been a part of the African Free Trade Zone. The Southern African Development Community (SADC), The East African Community (EAC) and The Common Market for Eastern and Southern Africa (COMESA) signed an agreement to form the free trade zone. The goal for the African Free Trade Zone is to ease the access to markets within the zone consisting of 26 countries. The aim is to end problems arising from the fact that several of the member countries belong to multiple groups and trade zones (See more in the subsection: Economic performance).<sup>36</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>37</sup> Among others, there has been a higher recognizing of informal trade. For example, Zimbabwe has signed a Memorandum of Understanding with the government of Malawi to facilitate informal trade, specifically between small and medium-sized enterprises.

### Labour policies

Several policies have been launched in recent years to boost the economic development and strengthening the labour market. Some of the key policies are summarized below:

An industrial policy came to life in 2016 known as the National Employment Policy (NELP). NELP is aimed to be linked to the Malawi Growth and Development Strategy 2017-2022 (MGDS III), and broadly aligned to the global Sustainable Development Goals (SDGs) as well as the framework from the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) industrialization strategies. With this move, Malawi attempts to improve economic productivity through industrialization, education to reduce mismatch of skills in the labour market, and job creation through entrepreneurship development.<sup>38</sup> A process is ongoing to address youth wellbeing and job creation policy that is geared toward reducing youth unemployment through skills development and entrepreneur training. So far, the impact of the policies has been meager.<sup>39</sup>

The government furthermore initiated a public sector reform agenda in 2015. Its implementation run into delays. The Malawi National Public Sector Reforms Policy (2018-2022) was finally launched in February 2018.<sup>40</sup> It is still unclear how the planned changes will be implemented based on public needs.

In 2017, the Malawian government banned the sale of maize grain to other neighbouring countries. The ban made most of the local grain growers to experience the low prices local market as there was an abundant supply of the maize on the market. During 2018, maize prices gone up by 50%, which has affected negatively in the inflation rate in consumer prices (see also the section: Economic Performance).



The Malawi National Social Security Programme II (MNSSP II) was presented in July 2017, and it will run from 2017 to 2023. A shift from the first MNSSP I to ensures greater alignment of individual program objectives with the objectives of the National Social Support Policy from 2012 (NSSP) (see also the section: Social Protection).

## TRADE UNION RIGHTS VIOLATIONS

ITUC ranked Malawi 2 out of 5+ in the Global Rights Index in 2015. This ranking has been interpreted as 'repeated violation of rights'. Countries with a ranking 2 have slightly weaker collective labour rights than those with the ranking 1. Certain rights have come under repeated attacks by governments and/or companies and thereby undermined better working conditions.<sup>41</sup>

ITUC has not registered any violation of trade union rights cases in the period 2014-2019 (March).<sup>42</sup> Likewise, the U.S. Department of State's Annual Country Reports on Human Rights Practices did not record any similar rights cases. However, anecdotal evidence indicates that union organizers have increasingly been dismissed or had their rights violated in order to discourage unionization.

The 'tenancy system' and bond labour 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 usually food. These costs, in addition to rent charges, could be higher than the amount of money received from tobacco sales, leading to a situation of debt bondage to repay the inputs and other costs. There were also observed that children were subjected to domestic servitude and other forms of forced labour, including cattle herding; bonded labour on plantations, particularly on tobacco farms; and menial work in small businesses.<sup>43</sup>

## WORKING CONDITIONS

The minimum wage was raised from 688 MWK (Malawi Kwacha) (US\$1.0) per day in 2016 to 962 MWK (US\$1.3) for both urban and rural regions as of July 2017, which equals a rise of 40% (see more in Table 3). There was no exception to the requirement of paying the minimum wage for foreign or migrant workers. Malawi

has one of the lowest minimum wage among the low-income countries in sub-Saharan Africa.<sup>44</sup> National Wage Advisory Board was not active in 2018.

The official minimum wage applies only to the public sector. There is no minimum wage in the private sector, but instead various industries have different minimum wages. In reality, only around 38% are employees with a higher opportunity of reaching the minimum wage. Other data reflect that a majority (83%) of the workforce operates in the informal economy where the minimum wage regulations are not applied.

Per March 2018, an average family of six in the urban areas requires at least MWK 186,648 (US\$257) to survive in a month. This measurement explains that even urban wage earners often supplemented their incomes through farming activities.

**Table 3: Status of Monthly Wages in Malawi**

	Current Malawi Kwacha	Current US\$
Mean wage (2017)	267,122	368 *
Minimum wage (public sector) (2017- )	25,000 **	34
Real minimum wage growth (2013-2017)	272 % ***	

\* Value in US\$ Purchasing Power Parity.

\*\* Calculation of official minimum wage per day of MWK 962 times 7 per week times 4 weeks per month.

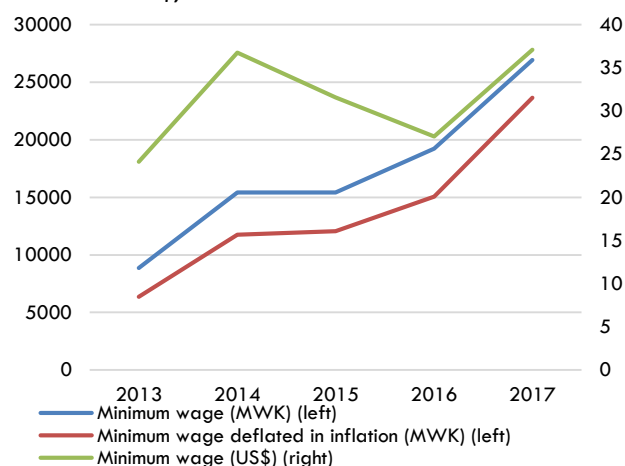
\*\*\* Real minimum wage adjusted for inflation in consumer prices.

Sources: [National Statistical Office, Malawi Labour Force Survey 2013: Key Findings Report, April 2014](#); [Official Malawi Government Online, September 9, 2015](#), [The World Bank Research Observer](#), and [WageIndicator.org, Malawi](#)

Minimum wage increased by 272% in periods 2013 to 2017. Despite the high rise, it is vexed by relatively high inflation in consumer prices, which is evaporating the incomes purchasing power. This is illustrated in the significant gap between the nominal and the deflated minimum wage in Figure 1 below. By the same token, it is one of the factors that keep a majority as extremely poor in the country.



**Figure 1: Minimum wage per month in Malawi, current Kwacha and US\$, 2013-2017**



Source: [VageIndicator.org](http://VageIndicator.org), Malawi; own calculation is real minimum wage.

Labour inspection is aiding the process within the labour dispute settlement framework in Malawi. Based on the limitations of data availability, it is not possible to measure the number of labour inspectors. Studies argue that there is a need to recruit and train more labour inspectors.<sup>45</sup> In 2018, MCTU pointed out that labour inspections are often not taking place due to low government budget allocations. There is weak coordination of labour inspections between headquarters and field offices through the labour administration system. Labour inspectors often look for other sources of income in the form of second employment, either self-employment or with the private sector.<sup>46</sup>

The maximum legal workweek is 48 hours with a mandatory weekly 24-hour rest period. Law requires a 50% premium for work overtime and prohibits compulsory overtime (see more on Table 4). The workweek standards are not effectively enforced in practice; and employers frequently violated statutory time restrictions. The Ministry of Labour's enforcement of the health and safety standards has also been deprived. Workers - particularly in industrial jobs - often work without basic safety clothing and equipment.<sup>47</sup> See more details in Table 4 below.

**Table 4: Status of Working Conditions in Malawi**

Fixed-term contracts prohibited for permanent tasks	Yes
Maximum length of a single fixed-term contract (months)	No limit
Standard workday	8 hours
Premium for night work (% of hourly pay)	0 %
Premium for work overtime work (% of hourly pay)	50 %
Paid annual leave (average for working days with 1, 5 and 10 years of tenure, in working days)	18
Minimum length of maternity leave	56
Receive 100% of wages on maternity leave	Yes
Five fully paid days of sick leave a year	Yes
Unemployment protection after one year of employment	No *

\* It is 'No' for public, but 'Yes' for private, and it is expensive.

Source: [World Bank, Doing Business, Labor Market Regulation in Malawi](http://World Bank, Doing Business, Labor Market Regulation in Malawi)

## WORKFORCE

The total population in Malawi was an estimated 19.8 million people in 2018, out of which 7.5 million were active on the labour market. The country is landlocked sharing borders with Mozambique, Zambia, and Tanzania. The urbanization rate (i.e. share of urban population in the total population) has increased slightly from 15% in 2007 to 17% in 2017. This rate is meagre compared to surrounding bordering countries: Mozambique had an urbanization rate at 33%, Zambia at 42% and Tanzania at 33%.<sup>48</sup>

The country has a large youth bulge: 66% of the population is under the age of 25. This has been driven by a high fertility and population growth. Malawi's total fertility rate was declining from around seven children per women in the 1980s to 5.5 in 2018; thus, despite it was falling over time, it remains at a high rate. The rapid population growth is not only putting pressure on the labour market in Malawi, but also its land, forest and water resources.<sup>49</sup>

The latest national statistics on employment was from 2013, which revealed that the total employment-to-population ratio was at 71%. According to ILO projections, the employment-to-population ratio in 2020 will be only slightly changed with a small rise of 73%. Estimations a gender gap on the employment-to-population ratio shows favouring men by 11 percentage points in 2018. However, the gender gap was not as noticeable among the youth (15-24 years), where the gap was down to 4 percentage points. Employment-to-



population ratios in Malawi were higher on all parameters in comparison to the Southern African average (see more details in Table 5).

**Table 5: Estimations of employment-to-population ratio in Malawi and the Southern Africa, Age and Sex distribution, 2018**

Sex	Age		Malawi	Southern Africa
Total	Total	15+	72 %	41 %
	Youth	15-24	58 %	14 %
Men	Total	15+	78 %	47 %
	Youth	15-24	61 %	17 %
Women	Total	15+	67 %	35 %
	Youth	15-24	56 %	11 %

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

In 2018, around 53% of the Malawian in employment are located among own-account workers (i.e. self-employment and not engaged as 'employees' continuously). This segment's rate is quite high compared to the Southern African average that is estimated at 11%. The second largest segment is employees (i.e. workers that receive a basic remuneration) covering 39% share of the total employment, which is lower compared to the region average of 83%. Contributing family workers (i.e. self-employment in an establishment operated by a related person) covers 7%, which is relatively high in comparison to the Southern African average on 1%. Additionally, employers only comprised 1% of the total employment in Malawi (see more in Figure 2 below). More information on the gender aspects on the status of employment is available in the sub-section: Gender.

A sum of the own-account workers and the contributing family workers represent 'vulnerable employment'. This aggregate equals that around six of ten (60%) are in vulnerable employment in Malawi. They are less likely to have formal work arrangements and are therefore more probable of insufficient decent working conditions, inadequate social security coverage and 'voice' through effective representation by trade unions and similar organizations. This situation is often expressed in lower earnings than minimum wage, low productivity and difficult conditions of work that undermine workers' fundamental rights.<sup>50</sup>

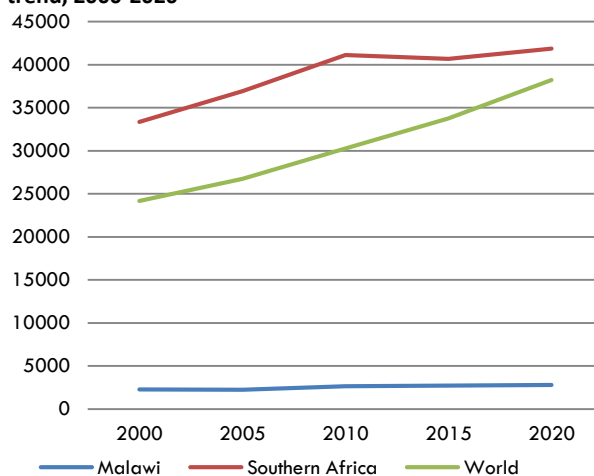
**Figure 2: Estimations and projections of status of employment in Malawi, %, 2000-2020**



Sources: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

There is a linkage in the status of employment and labour productivity: employees are often more present in the formal sector with more access to capital, finance and training while the vulnerable employment often operate in more informal micro-enterprises with low productivity activities. The differences are mirrored in the labour productivity in Figure 3 below that places Malawi far below Southern African and World averages. The labour productivity rate trend is projected to basically stay on a flat growth towards 2020.

**Figure 3: Estimations and projections of labour productivity trend, 2000-2020**



Note: Labour productivity is defined as output per worker (GDP constant 2011 international \$ in Purchasing Power Parity (PPP))

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)



There are several factors that influence the Malawian labour productivity. First of all, the high number of own-account workers implies that the labour market is in high degree overwhelmed by informality and micro-enterprises and therefore minimizing the formal sector. Furthermore, lack of investment in the quality of labour, through job training programs, vocational training and investments in technology, limits an upsurge of the labour productivity.

Second, some natural disasters have affected the labour productivity in the agricultural sector in Malawi. Floods in 2014, droughts in 2015 and the “El Nino” in 2016, in high degree affected the agricultural production, which has caused food insecurity in recent years.<sup>51</sup> In addition, the Malawian harvest season for maize only lasts two months in December and January each year, and therefore the labour productivity is very high during these two months but pulls the overall average labour productivity down to quite a low rate because of the quite inactive production of maize the rest of the year.

### Unemployment and Underemployment

Unemployment is relative low in Malawi, but it is shadowed by a higher underemployment. The method of measuring unemployment can differ in terms of different definitions. According to ILO, two definitions of unemployment can be measured: the ‘strict’ (i.e. people who are unemployed but have actively searched for a job) and the ‘broad’ definition (i.e. people who are unemployed and want to work but not actively seeking for a job). The statistics based on either the strict or broad definition can, therefore, vary significantly.<sup>52</sup>

According to the statistical ‘strict’ definition, the unemployment rate does not appear to be a major issue in Malawi: 5.9% in 2018. It is quite low compared to Southern Africa’s average of 27%. Youth has a slightly higher unemployment rate. Some relative gender gaps are represented that favored man (see more in Table 6).

Application of the ‘broad’ unemployment rate is much higher up to 27%. This latter measurement indicates that a lot of Malawian workers want to work, but there are no jobs in the area that they live and they have been unable to find work that matches their skills.

**Table 6: Unemployment and underemployment in Malawi and Southern Africa average, 2018**

Type	Gender	Malawi	Southern Africa
Unemployment	Total	5.9 %	27 %
	Men	4.9 %	25 %
	Women	7.0 %	29 %
Youth Unemployment	Total	7.8 %	51 %
	Men	7.2 %	47 %
	Women	8.5 %	57 %
Underemployment * (2013)	Total	27 %	N/a
	Men	26 %	N/a
	Women	28 %	N/a

\* Visible underemployment rate: The ratio of the number of working people working involuntarily less than 35 hours per week to the total employed.

Source: [Malawi Labour Force Survey 2013](#) and [ILO, Key Indicators of the Labour Market \(KILM\)](#)

The 2013 Labour Force Survey furthermore revealed that unemployment is mainly in urban areas. The high broad unemployment rates have been related to Malawi’s ‘youth bulge’ (i.e. the success in reducing infant mortality in the context of mothers still having a high fertility rate), which means that a lot of young people are entering the labour market every year (see also the sub-section: Youth). The economy has not been capable of keeping up on sufficient formal job creation, which has created a lack of job opportunities. By the same token, young people lack the education, training and access to social safety nets. Instead, work of some sort has to be found to survive, which is most often in casual and informal activities.<sup>53</sup>

It was observed in the Malawian national statistical register that 27% of workers were confronting more precarious working conditions in underemployment (i.e. working less than the 35 hours per week). These conditions were often found primarily among young people under 24 years and people over 60; and it was in a slightly higher degree a rural phenomenon than urban: 27% active workers were underemployed in rural areas, compared to 24% active workers in urban areas.

The reason for higher underemployment rates in rural areas is highly related to the agricultural sector in Malawi. The work hours of labour in the agricultural sector are highly dependent on seasonality. During most of the year, men rural workers work less than 10 hours per week. On the other hand, during planting time in December and January, the underemployment rates drop to less than 10%.

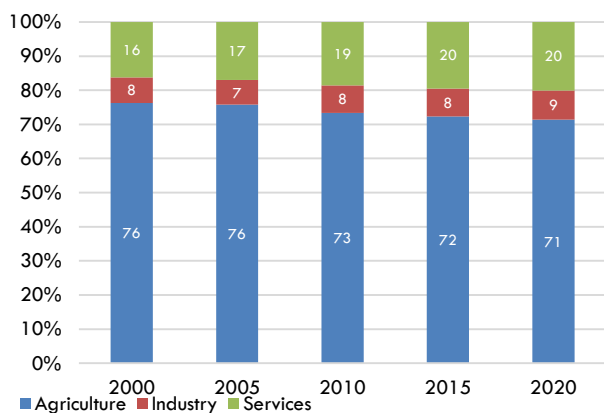


Additionally, excess work (i.e. anyone working more than 48 hours a week) was also an issue, containing 17% of the total employment. The excess of work was more concentrated in urban zones than in rural areas.<sup>54</sup>

## Sectoral Employment

The agricultural sector employs a large majority of the work force in Malawi. According to ILO's estimations and projections, the proportion of employment in the agricultural sector has declined slightly by five percentage points from 2000 reaching 71% in 2018 of total employment. The service sector has been on a minor upsurge from 16% in 2000 to 20 in 2018. Workers in the industry sector contain the lowest employment segment of 8% and it has basically stayed on a flat growth since 2000 (see more on Figure 4).

**Figure 4: Estimations and projections of employment by aggregate sector in Malawi, 2000-2020**



Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

It is worthwhile to mention that the latest Malawian National Labour Force Survey from 2013 represents some small differences on the employment by aggregate sector than ILO: 64% of the total workforce works in the agricultural sector, 7% in the industry and 28% in the service sector (see more in Table 7 below). These data diverge slightly from ILO's abovementioned estimations due to some methodology divergences.

According to the latest Malawian National Labour Force Survey there are more women than men active on the labour market: the former represent 53% of the total employment. In Table 7 below it is illustrated that women are more visible in the agricultural sector than men; even up to 70% of all working women operate in this sector.

The second largest sector is the trade, restaurant and hotels in the service sector that covers 17% of the total employment share. Also in this sector, women have a significant higher share than men. Women employment share in the marginal mining and quarrying sector is surprisingly higher than men. In contrast, men's employment share is higher than women's in all other sectors.

Manufacturing employment as a proportion of total employment is estimated at 4.1% in 2013, which is based on the National Labour Force Survey. This rate is much lower than the SDG register of the value at 10% (see Indicator 9.2.2 in SDG Table on Page v). However, the latter value is based on 2012 School to Work Transition Survey. Regardless of the diverging data, Malawi is very challenged to reach the targets: Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

**Table 7: Employed persons per sector in Malawi, %, 2013**

Sector	Employment per worker	Employment share	Ratio of women to total employment
Agriculture	4,460,160	64 %	58 %
Mining & quarrying	20,907	0.3 %	53 %
Manufacturing	285,729	4.1 %	46 %
Electricity, gas & water	27,876	0.4 %	13 %
Construction	181,194	2.6 %	20 %
Trade, restaurants & hotels	1,177,761	17 %	57 %
Transport, storage & communication	139,380	2.0 %	5.0 %
Finance, real estate & business services	N/a	N/a	N/a
Administration, public admin., education and health	459,954	6.6 %	32 %
Other services *	216,039	3.1 %	46 %
Total	6,969,000	100 %	53 %

\* Other service activities, activities of households as employers; undifferentiated goods, and services-producing activities of households for own use.

Source: [Malawi Labour Force Survey, 2013](#); own estimations on employment per workers and women share per workers

Comparing employment and Gross Domestic Product (GDP) per sector show interesting deviations. For



example, despite more than six out of ten (64%) of the total employment work in the agricultural sector, it represents just 30% of the GDP; and represents just US\$346 per worker per year. This estimation is correspondingly with the still high segment of extremely working poor and low labour productivity.

The service sector GDP share was registered for 52% of the total GDP, which is more than double as high as the employment share (20%). It does not sound surprising that the trade, restaurant and hotel sector has a relatively high share of 21% of GDP due to its relatively high employment share (17%), but its GDP value suggests US\$984 per workers per year. It is furthermore interesting to observe that the Finance, real estate and business services sector have a high GDP share at 17% while the National Labour Force Survey did not register any employment in this sector.

The industry sector has a double as high GDP share of 16% in comparison to this sector's employment share (8%). GDP value shares per sub-sector are diverging from US\$1,492 in the construction sector to US\$2,904 in the mining and quarrying sector. The manufacturing sector has a relatively low US\$1,758 per workers per year about its GDP share. See more details in Table 8.

**Table 8: GDP share by sector and GDP share per workers in Malawi, 2013**

Sector	GDP share by sector	US\$ GDP share per workers per year
Agriculture	28 %	346
Mining & quarrying	1.1 %	2,904
Manufacturing	9.1 %	1,758
Electricity, gas & water	1.3 %	2,574
Construction	4.9 %	1,492
Trade, restaurants & hotels	21 %	984
Transport, storage & communication	6.4 %	2,534
Finance, real estate & business services	17 %	N/a
Public administration and defence, security	2.1 %	252
Other services	10 %	2,555
Total	100 %	792 *

\* Mean average.

Source: [African Economic Outlook Malawi](#) and own estimations on the GDP share per worker.

The GDP share per aggregate sector entered into changes that were much more significant. Figure 5 below illustrates that the agricultural sector share of GDP fell from 36% in 2000 to 26% in 2017. Industry sector also dropped slightly down by two percentage points in the same period reaching 14%. In contrast, the service sector increased by 14 percentage points and so far achieved its highest share of 52% GDP. Take into consideration the youth bulge in the country, upsurge in the service sector's GDP share and slowly growing employees segment, it suggests that some urbanization process is in progress. As previously mentioned, this change has not yet been registered in the available urbanization rate.

**Figure 5: Aggregate sector share in Malawi, % of GDP, 2000-2017**



Note: Data diverges slightly from the GDP share by sector on Table 8 from the African Development Bank's register.

Source: [World Bank, World Development Indicators](#)

## Migration

Migration has been limited in Malawi, but the flow is changing during the 2010s. First of all, the country has been a transit country for immigrants on their way to other Southern African countries in many years. It is now also turning into a preferred destination for many people, especially from several Asian countries and an influx of refugees from other neighbouring countries such as the Democratic Republic of Congo, Burundi, Rwanda and some from Mozambique. Second, more and more citizens are leaving than entering the country, among others a growing number of students leave the country.



Data reveal in the net number of migrants in Malawi that more are leaving than entering the country: it registered (minus) 60,000 people in country in the period from 2013 to 2017 (see more on Table 9 and Figure 6). The most common emigration pattern shows that Malawian natives leave the country in the hope of better labour opportunities. Of those, many are often in mines and farms in other Southern African countries, especially in Zimbabwe; and also in Tanzania. The United Kingdom is also a destination often chosen because of their former colonial history in Malawi.<sup>55</sup>

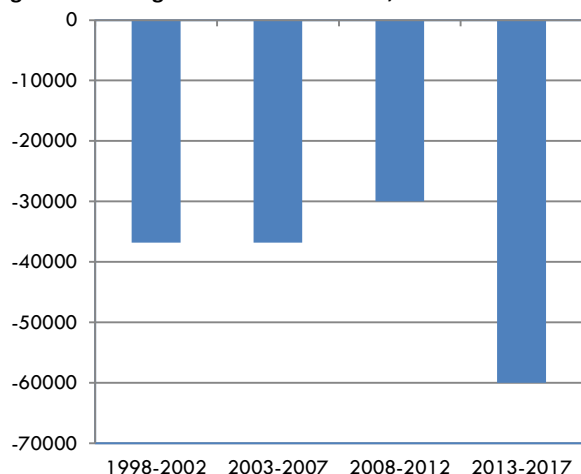
**Table 9: Migration Facts in Malawi**

Net number of migration (2013-2017)	Malawi	-60,000 *
Net migration rate	Malawi	- 0.52 ** (2010)
		- 0.37 ** (2015)
Personal remittance (received), % of GDP (2013-2017, av.)	Malawi	0.6 %
	Sub-Saharan Africa	2.4 %

\* Net migration is the net total of migrants during a period of five years, i.e. the total number of immigrants less the annual number of emigrants, including both citizens and non-citizens. \*\* One migrant per thousand of the population.

Source: [World Bank DataBank](#) and [KNOEMA](#)

**Figure 6: Net migration trend in Malawi, 1998-2017**



Source: [World Bank, World Development Indicators](#)

Around 0.4% of the total population in Malawi are migrants. This measurement explains, to some extent, why the personal remittances received in the percentage of Malawi's total GDP have been quite low-slung at 0.6% of GDP in 2017 (Table 9 above). Malawi's personal

remittances share of GDP is additionally low compared to sub-Saharan African average at 2.4% of GDP. The rising emigration rate implies in recent years that the Malawian diaspora can potentially create more remittances as a more significant part of the national economy. It is important to realize that personal remittances often are transferred through informal sources in Malawi, which is not included in the GDP share, and thus underestimating the real personal remittance stance.<sup>56</sup>

The influx of Asian labour migrants in Malawi is mainly from Pakistan and India. They are mostly either on business or registered in work permits. Another segment of immigrants from neighbouring countries is often entering Malawi without any legal documents, and thus mainly operate in the informal labour market either permanently, or as a transit point for earning money to migrate further on to another country or area.

Actually, internal migration is the main contributor to urbanization trends in Malawi. The Integrated Household Survey from 2016 (IHS 2016) states that more than 50% of the annual urban population growth came from rural to urban migration. In 2011, 7.9% of the total urban population was migrants who had moved from rural to urban areas, while 2.4% of the urban population moved to rural areas in 2011. Other reasons were respectively marriage (28%) and labour opportunities (12%). Even though the rural-to-urban migration is creating a growing urban population, the fastest growing internal migration trend in Malawi is actually from rural-to-rural areas. In 2016, 64% of the total amount of migrants in Malawi migrated from one rural area to another, while the rural-to-urban migration was the second most frequent migration pattern with 24%.<sup>57</sup> The IHS 2016 additionally shows that the level of education for migrants in Malawi is changing with an increasing share of lower education level group and a lowering medium and higher education level shares. The former segment stays on a smaller range, though.<sup>58</sup>

Approximately 17% of the total population live in urban areas. Urban population rate grows by around 3.6% per year. If these rate continue, the urban population in Malawi will in 2030 consist of 20% of the total population.<sup>59</sup> Urbanization rate in Malawi is quite low compared to sub-Saharan African average. Comparable agrarian economies with large urban shares, like Ethiopia, Rwanda and Uganda, all have higher annual urban





population growth rates than Malawi, and only Uganda has a slightly lower urban population share.<sup>60</sup>

Malawi has constituted a labour export agreement with the United Arab Emirates, which allows Malawian youth to travel to Dubai and Kuwait to work in the service industry. The deal has caused a lot of criticism through Malawian media, because of exploitation and lousy working conditions for the Malawian workers. The people, who emigrate, travel through private labour recruitment bureaus located in the United Arab Emirates. These bureaus recruit young Malawians to migrate for new work opportunities. There are currently no legal requirements for private labour recruitment in Malawi.<sup>61</sup>

### Informal Economy

Malawi's labour market is divided in a small formal sector and a dominating informal economy. The former is covered by more stable employment that typically pays higher wages and taxed under the existing tax guidelines. The latter often is independent, self-employed small-scale producers who most often are not covered by the labour regulations such as labour inspections, minimum wage or pension and health insurance.

Several surveys and studies have assessed the status of the size of the informal economy in Malawi. First of all, 83% of the total Malawian workforce is employed in the informal economy. New data from MCTU indicate that up to 89% of the workforce operate in the informal economy. It is more or less in line with other sub-Saharan African countries that tends to have between 85% and 95% of the total labour force in the informal economy.<sup>62</sup> Second, around 35% of the country's GDP comes from the informal economy (see more in Table 10).<sup>63</sup>

**Table 10: Status of informal economy in Malawi**

Informal economy contribution to the GDP, 2017 (%)	35 %
Share of informal economy workers in total employment, 2016 (%)	83%-89%%
Workers in 'vulnerable employment' (2019) *	59 %

\* A sum of the own-account workers and the contributing family workers; and is often part of informal economy.

Source: [LME](#), [ILO](#) and MCTU

Micro, Small and Medium Enterprises (MSME) plays a significant role in the Malawian economy. Approximately 81% of all MSME's are as micro (i.e. employing 1 to 4 people), 17% are small (i.e. employing 5 to 20) and only

2% are as medium (i.e. employing 21 to 100).<sup>64</sup> The majority of the MSME's (91%) operate in the informal economy.<sup>65</sup> The high number of micro-enterprises mirrors the scope of informal businesses. Micro-business agreements are often made orally, without any official agreements for healthcare, pension schemes, vocational training, etc. The dominance of informal MSMEs in Malawi is an expression for the high number of own-account workers (revisit Figure 2), and more than one of two (55%) of this segment is informally employed. It points towards that a formalization of Malawian enterprises has not been easy due to cumbersome administrative flows. For example, doing business in Malawi has not been easy, and 'starting a business' is quite cumbersome (see more in the Ease of Doing Business Index, Appendix Table 22).

The share of informal employment between men and women differed slightly in Malawi. Of the total workforce among men, 84% were informally employed, while Malawian women who were informally employed represented 76%. Data also reveal that close to two out of three (67%) of the total workforce in urban areas was informally employed. The same statistic concerning rural areas was significantly higher with 85% of the total workforce employed informally. This difference can be explained primarily by the high degree of informality within the agricultural sector in Malawi.<sup>66</sup>

Table 11 below illustrates the distribution of the total workforce, who is in either formal or informal employment. The highest rate of both informal and formal employment is among the own-account workers. These jobs are most often related to street vendors, bike taxis, and so on. It is noticeable that the formal employment among own-account workers is quite high in comparison to neighboring countries as Tanzania and Zambia with 30% and 17%, respectively, which indicates, to some extent, a more regulated labour market.<sup>67</sup> The second highest score is the employees. Employees cover around 36% of the total casual workforce and 47% of the total formal workforce. In comparison to Tanzania and Zambia, the numbers are respectively 12% and 15%, respectively. The large agricultural sector can partially explain this particular statistic. As a matter of fact, the majority (70%) of the workers in the agricultural sector are informally employed, which indicates, that the share of the total workforce would be much higher if the informal workers were included in the measurements.<sup>68</sup> It furthermore explains why the relatively lower value of workers in



‘vulnerable employment’ in Table 10 above is lower than the total informal economy workers.

**Table 11: Distribution of total workforce in informal employment and in formal employment by employment status in Malawi, 2016**

Status of employment	Formal employment	Informal employment
Employees	47 %	36 %
Employers	3 %	1 %
Own-account workers	50 %	55 %
Contributing family workers	0 %	8 %

Source: [National Statistical Office, Malawi Labour Force Survey 2013](#) and [Women and men in the informal economy: A statistical picture, ILO, 2018](#)

There are currently no direct national Informal Economy Forum, but as mentioned the informal economy is one of the agendas included in the Tripartite Labour Advisory Committee (TLAC) forums. Several policies – the National Labour and Employment Policy (NELP), the Malawi Growth and Development Strategy 2017-2022, and the Malawi Decent Work Country Programme (MDWCP) – are directly dealing with the informal economy and the need to create and promote decent employment. More so, the Industrialization Policy promotes among others, skills development and entrepreneurship in the informal economy.

### Child Labour

Child labour is rampant in Malawi: close to one out of two (52%) of Malawian children is working child. This situation is an impact of the high prevalence of poverty, insufficient social protection, fragile infrastructure and weak education system. Although a high enrolment rate in primary education, almost one out of two (45%) ends up with less than basic education, and entering into child labour in informal employment. This has a long-term impact on the labour market in Malawi that loses its youth’s valuable skills and forfeits higher economic productivity (see more in the section: Education).

Child labour is defined as: i) to be engaged in any economic activity for at least one hour during the reference week and aged from 5 to 13 years, and ii) to be involved in hazardous work. Children in employment are defined as all market-oriented activities, production for own-consumption and specific services rendered for and by household members (such as major household

repairs, fetching water or carrying firewood for household use) are considered economic activities, and those engaged in them are employed.

Table 12 below outlines that close to two out of five (38%) of the children in the age group 5-17 are involved in child labour, which is equivalent to more than 2,1 million children. Among the children engaged in child labour, 60% were in hazardous work.<sup>69</sup> A majority of the working children (58%) started working before they were ten years old. Child labour is much higher in rural areas than in urban, i.e. 12% of the children who are involved in child labour live in urban areas, while the remaining 88% live in rural areas. This gap is related to the vast agricultural industry in Malawi. Child labour is predominantly common in tobacco farms, subsistence farms, fishing, and in domestic service. The second largest sector is domestic work, which covers 23% of the working children. There are barely any differences between genders about child labour in Malawi.<sup>70</sup> It is worthwhile to mention that the presented 2015 National Child Labour Survey (NCLS) child labour data are significantly higher than the UNICEF and ILO estimations from 2013 that suggest 17% and set in the Sustainability Development Goals values (see SDGs Table on Page v, Indicator 8.7.1). According to the national survey data, the country needs without a doubt to take immediate and effective measures to eradicate forced labour to reach the SDG target.

**Table 12: Status of child labour**

Region	Year	Type	Proportion
Malawi (age 5-17)	2015	Children in employment *	52 %
		Child labourers	38 %
		Hazardous work	21 %
Sub-Saharan Africa (age 5-17)	2008	Children in employment	28 %
		Child labourers	25 %
		Hazardous work	13 %

\* Regarding working children aged 5 to 17 years were reportedly to be involved in economic activities in the last 12 months.

Source: [National Statistical Office of Malawi, National Child Labour Survey, 2015 Malawi](#) and [ILO, Accelerating action against child labour, International Labour Conference, 99<sup>th</sup> Session 2010](#)

By law, the minimum age for employment is set at 14 years old. Children between the ages 14 and 18 may not work in hazardous jobs or jobs that interfere with their education. Legislation is not effectively enforced due to



lack of resources and staffing. In addition, penalties and enforcement were insufficient to deter offenders.<sup>71</sup> Other parts of the legal framework are not adequate enough to keep children away from child labour. As an example, the minimum age law does not cover workers in third-party homes or in non-commercial agriculture, which is a sector that Malawian children are well known to work in. Equally important, a legal framework for the tenancy system, which is used in tobacco production, is lacking for children. This leaves children in vulnerable positions where they experience horrible forms of child labour, which includes debt bondage in particularly tobacco production. In addition, a legal framework for prohibition of military recruitment by non-state actors is absent and does not meet international standards, even though that military recruitment of children is not a well-known phenomenon in Malawi.<sup>72</sup>

The Malawian government has implemented a law against human trafficking, which is an urgent issue within child labour in Malawi. There have been several incidents of children who are internally trafficked in Malawi for child work. The legislation was passed in 2015, where the government presented a comprehensive legal framework, to solve issues concerning human trafficking. The law punishes people with 14 years- to life time imprisonment, to all who are involved in human trafficking.<sup>73</sup> However, an impact study of this legislation is not yet available.

The government is still lacking in fully finalizing policies and legislations regarding the protection of children within international standards and limited financial allocation of resources remain intact. Among others, the ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) urges the Government to take measures, within the framework of the National Steering Committee (NSC) on child labour, to develop and improve the Child Labour Monitoring System (CLMS) in order to monitor the implementation of the provisions giving effect to the Worst Forms of Child Labour Convention (No. 182) (see also Appendix Table 21).<sup>74</sup>

MCTU mobilized local leaders (chiefs) and communities in the promotion of social dialogue in the fight against child labour in several districts where the outsourced (sub-contracted labour) labour work in the informal arrangements.

## Gender

Gender inequalities in the labour market are present in Malawi. This issue is part of the society's patriarchal structures: the status of women in Malawi is very underprivileged with a larger quantity of working hours, less spare time and limited access to productive assets. This situation also means that men do work outside of the household, while women primarily work in the household. Furthermore, violence against women continues to remain an issue in the country: 30% of all women have experienced physical abuse, and 20% have experienced sexual violence during their lifetime.

Both the Global Gender Gap Index and the Gender Inequality Index place the nation in low rankings: 101 out of 144 countries (1 is highest) and 171 out of 189 countries (1 is highest), respectively.<sup>75</sup> These low rankings are relatively due to low education attainment and a low score of economic participation and opportunities. By the same token, the National Demographic and Health Survey 2015/16 (MDHS) shows that 59% of the employed women have experienced regularly not received any paid salary for their labour. To compare, 29% of the men have experienced not to receive paid salary regularly. Also, 70% of the surveyed women earned less than their husbands, and only 14% gained the same amount.<sup>76</sup>

Another indicator for measuring women's empowerment is the degree of control that women have over their earnings. According to the MDHS 2015/16 survey, three out of four (76%) of women in Malawi, who are married and in the age group 15-49, control their earnings either individually or jointly. It is most common (47%) for women to decide jointly with their husband, and 28% have sole decision making in their control of earnings. One out of four (24%) of the surveyed women had husbands who had all control over their earnings.<sup>77</sup>

In the formal sector, women tend to work in more stereotypically low-pay jobs. This issue has been registered by surveys that show that a smaller number of women were qualified within many organizations to occupy the managerial positions. This disparity is to a large extent 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 that are considered are considered mainly "men-work" in Malawi. Not to mention, the formal public



sector in Malawi is also largely dominated by men. The most substantial gaps are apparent within civil service work and in the police, where men represent respectively 81% and 82% of the total workers according to latest sources.<sup>78</sup>

Table 13 below shows clear gaps in the share of employees and the percentage of those in vulnerable employment that implies vast gender inequality on the Malawian labour market. To point out men have a higher employment rate and among employees. Women have instead higher rates in terms of unemployment, underemployment and vulnerable employment.

**Table 13: Workforce key indicators gender gaps in Malawi, 2018**

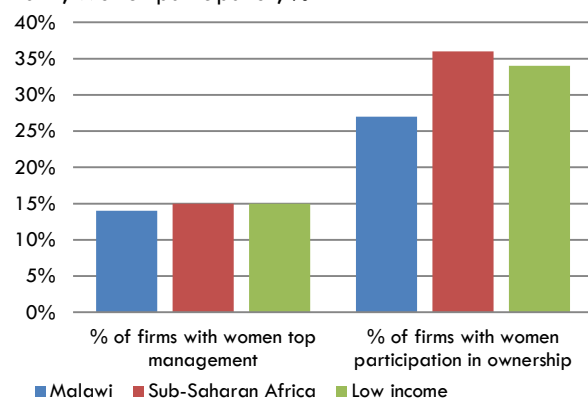
	Men	Women	Gender gap, percentage point (p.p.)
Employment	78 %	67 %	11 p.p.
Unemployment	4.9 %	7.0 %	- 2.1 p.p.
Underemployment *	26 %	28 %	- 2 p.p.
Employees	44 %	33 %	11 p.p.
Vulnerable employment **	54 %	66 %	-12 p.p.

\* Time-related underemployment. \*\* Aggregate own-account workers and contributing family workers.

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

Also according to the recent Malawi Enterprise Survey from 2014, 14% of firms have top women management, which remains in line with the sub-Saharan Africa average. One out of four (27%) of firms has women participation in ownership, which is lower than the region average (Figure 7).

**Figure 7: Women in Management and Ownership in Firms 2014, Women participation, %**



Source: [World Bank, Malawi Enterprise Survey, 2014](#)

## Youth

Malawi has a relatively sizeable young population: 25% of the population is in the age 15-29, and 71% of these were in employment. This population is also one of the countries with the highest proportions of youth without education among low-income countries in Africa.

The latest revised National Youth Policy is from 2013, which aims to empower the youth to face the social, cultural, economic and political challenges facing the country. The policy has previously been lying idle for an extended period. However, since 2017 an elaborating upon a youth well-being policy is ongoing.

Based on the latest Malawi Labour Force Survey (MLFS) from 2013, around 130,000 young people are entering the labour market each year. But the formal sector only produces approximately 30,000 jobs. Instead, a majority are entering vulnerable work in the informal economy and some as unemployed.

In terms of the strict definition of youth unemployed, it was estimated at 7.8% in 2018 (revisit Table 6). On the other hand, based on the MLFS 2013, a broader youth unemployment rate was assessed at 28% with a gender gap of 7 percentage points. With this in mind, urban youth unemployment is significantly higher at 47% while rural youth unemployment is lower at 25%. The youth unemployment rate also rises along the level of education and from region to region (see more in Table 14).

**Table 14: Youth unemployment rate (broad definition), 2013**

	Total	Urban	Rural
Total	28 %	47 %	25 %
Education			
None	24 %	41 %	23 %
Primary	30 %	49 %	27 %
Secondary	40 %	55 %	34 %
Tertiary	44 %	52 %	37 %
Region			
Northern	17 %	31 %	16 %
Central	22 %	45 %	19 %
Southern	36 %	53 %	34 %

Note: The definition of broad unemployment includes discouraged job-seekers: those who want to work but are not actively searching for a job as they have lost hope, wanted to work but there are no jobs in the area or were unable to find work that required their skills.

Source: [National Statistical Office, Malawi Labour Force Survey 2013, Key Findings Report, April 2014](#)



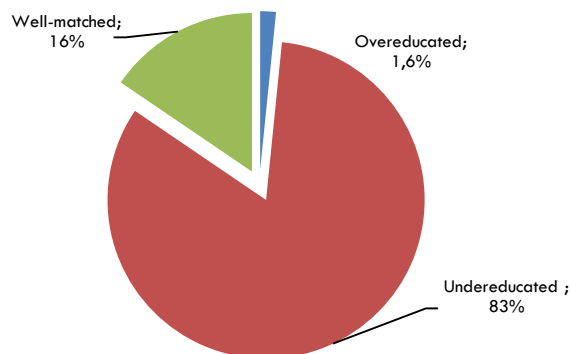
The proportion of youth not in employment, education or training, also known as NEET rate, is a group that neither is improving their future employability through investment in skills nor gaining experience through employment, is particularly at risk of exclusion of both the labour market and social protection. Based on statistical measurements, Malawi's NEET rate was estimated at 33% in 2017; women's rate was much higher at 41% than men's 24%. Again, this high NEET rate is mirrored in the low labour productivity.

The transition from school to the labour market is very tough for the Malawian youth. The latest School-to-Work Transition Survey (SWTS) from 2014 shows that 64% of the surveyed youth were in transition. This concept of 'transition' is interpreted as an active student, or an unemployed non-student by a broad definition, engaged in self-employment or in a paid temporary job that they have expressed dissatisfaction with or an inactive non-student with an attachment to the labour market, indicated by their desire to work in the future).<sup>79</sup> A total of 21% had transited, and 14% were yet to start their transition from school-to-work. Only 29% found stable employment after the change. The high share of both the youth in transition and those who have transited reflects low school attendance and a significant dropout rate. This is mainly due to economic constraints and weak socio-economic backgrounds. The Malawi SWTS revealed that 80% of the youth, who has a mother with no education, had either no or only primary school. In contrast, more than 80% of the youth who had mothers with tertiary education, had obtained either vocational or tertiary degrees. These data showed that respectively 52% of young women and 66% of young men drop out of school for economic reasons, and 20% of the women drop out because they get pregnant and cannot provide economically for their child. Thus, financial constraints and weak socio-economic backgrounds seem to be a significant factor for not completing the transition from school to work for the Malawian youth.<sup>80</sup>

Other data reveals that the labour market has a high qualification mismatch. The workers are mainly undereducated and lack the appropriate skills to match the labour market. While over-education affects 1.6% of young workers, there are 83% with under-education (Figure 8). While the public sector has traditionally had a role of absorbing educated youth, it is nevertheless a very limited sector in this country. Skills mismatch are

particularly common in construction, manufacturing, mining, transport and tourism.

**Figure 8: Qualifications mismatch of youth in Malawi, % of employment**



Source: [ILO, Is education the solution to decent work for youth in developing economies? Identifying qualifications mismatch from 28 school-to-work surveys, Work4Youth Publication Series No. 23, December 2014](#)

The youth population is primarily engaged in part-time, casual labour, mostly in the informal economy. Close to nine out of ten (88%) of this youth segment are employed in the agricultural sector. Young Malawians have few choices other than entering and work in this primary sector, which, unlike other forms of business, has fewer barriers to entry for survival. On the positive side, the government has made an effort in training the youth, to improve their education and skills. Among others, the Technical, Entrepreneurial and Vocational Education and Training Authority has placed higher attention to technical education and vocational training (TVET). Despite the governments' initiatives, which is part of the 2017-2022 Malawi Growth and Development Strategy (MGDS III), 87% of the applications for the TVET programs are denied, and the access remains limited about the demand from the youth. Lack of money for entry requirements and too high academic entry requirements disfavors the vast majority of the youth. Lack of training of the teachers and minimal control by the government results in that most of the vocational training is provided informally, which also results in a lack of skills after the completion of the program (see more in the sub-section: Vocational Training).<sup>81</sup>

The high engagement in the informal sector among the Malawian youth creates limited opportunities for receiving employment benefits. The most common benefit in Malawi among the working youth was a meal allowance, which 27% received in 2014. Only 8% and



9%, respectively, were provided with medical insurance and social security.<sup>82</sup>

## EDUCATION

Most Malawians can be said to have a relatively high enrolment in education on lower levels. And education spending is higher than the sub-Saharan Africa regional average. However, almost one out of two (45%) in employment have less than basic education, and only one out of four (23%) has a basic education (Table 15). Fewer have progressed into higher education levels. This reflects the weaknesses of the education system, which is deep-rooted and systemic problems such as low teacher morale, mismatch of skills in the labour market and the high child labour rate.

**Table 15: Employment by education in Malawi, % of employment distribution, 2013**

	Less than basic	Basic	Intermediate	Advanced
Total	45 %	23 %	9 %	3 %
Men	45 %	26 %	12 %	4 %
Women	46 %	20 %	6 %	2 %

Source: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

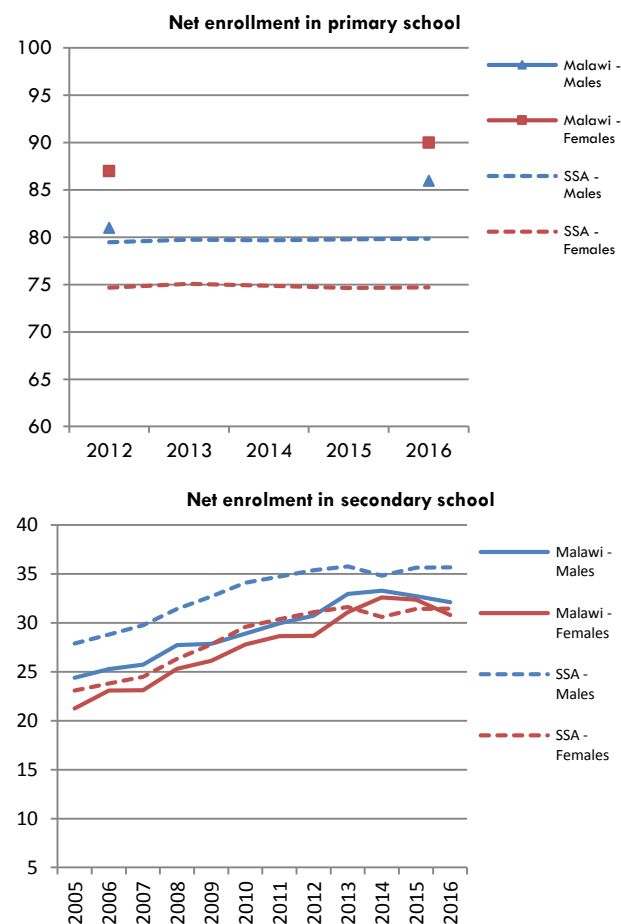
Malawi experienced an upsurge on the net enrolment in the primary school in recent years and hovering above the sub-Saharan Africa average (Figure 9). A gender gap shows that slightly more girls are enrolled than boys in the country. On this school level, the education system is confronting high repetition rates, low completion rates (particularly for girls), poor rates of transition from primary to post-primary levels of education, and steadily worsening examination results.<sup>83</sup>

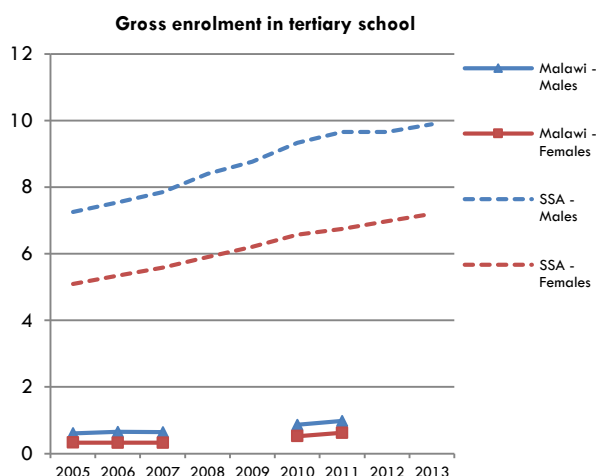
Net enrolment in secondary school has also been on an upsurge during the last decade with a slight downturn in 2015/16. On this education level, Malawi is close to the region rates. On this level, Malawi's females are currently in par with the region average while males stay lower (Figure 9). Recently, the Ministry of Education, Science and Technology in Malawi abolished the tuition fees in public secondary schools. The final abolishment will take effect in January 2019. At first glance, this law will improve the net enrollment in secondary education and thereby secure the Malawian youth more educational skills. However, several Malawian education experts have pointed out that the new law can be a potential risk for the quality of

education in secondary public schools, primarily because of a lack of highly skilled teachers.<sup>84</sup>

Gross enrolment in tertiary school growth has stayed flat with around only 3%. The country keeps one of the lowest enrolments into tertiary education in the world. Overall, the gender difference tends to be relatively slender in the country (see more on Figure 9). It is important to realize that in higher levels of Malawian public education, the benefit incidence is regressive, i.e. public spending is more than proportionately targeted at wealthier citizens. The regressive incidence of benefits is most pronounced at the tertiary level, where the poorest quintile of the population receives only 1% of the government subsidy compared to 82% for the richest quintile. Not to mention, the demand for workers with postsecondary education is low, reflecting the scarcity of high-value jobs.

**Figure 9: School Enrolment, Male and Female, Malawi and the sub-Saharan Africa (SSA), %, 2005-2016**





Note: 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 %.

Source: [World Bank, Education Statistics](#)

### Vocational training

Malawi's Technical Education, Vocational Education & Training (TEVET) system is diverse. Among others, it has a multitude of private and public providers offered, but the service costs are unaffordable to the vast majority. This is also the main reason why many young people choose informal apprenticeships since it seems to project a higher likelihood of securing a job afterwards in comparison with formal training.<sup>85</sup>

In Malawi, the number of people who complete vocational training is meagre. According to data, only 1.3% completed any form of vocational training in 2014, which is one of the lowest measures in sub-Saharan Africa. These measurements are furthermore related to that this sector has not been prioritized in education. As an example, only 0.5% of the total education expenditure is directed towards TEVET. Besides, out of the total number of employees in Malawi, 4% had completed vocational training as the only form of education, while 2.3% of the self-employed had completed vocational training.

Additionally, the unemployment rate in 2014, among Malawians who had completed vocational training, was at 7.6%, which was not that high compared to those who had completed tertiary education (9.4%) and the ones who finished secondary school (11%).<sup>86</sup> These

observations imply that Malawi is still struggling in providing vocational training to the youth. As already mentioned, a main reason for not attending vocational training is a lack of money for tuition fees.

According to the percentage of private firms offering formal training to their permanent and full-time staff, Malawi seems to perform notably better than its three neighbouring countries. The most recent available data for Malawi was 33% in 2014, which indicates a drop from 2009, which was at 48%.<sup>87</sup> However, formal private registered enterprises offering training is a very narrow group. And many enterprises fail to implement in-house training mainly due to production pressure as well as a lack of training materials and qualified trainers.

The assessment of the Enabling Environment for Sustainable Enterprises (ESEE) Survey in Malawi from 2013 provided information on whether workers are perceived to have the skills demanded by businesses. Slightly over one out of three of interviewees (36%) believed that there are minor skills deficits among workers. 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. This is related to that many well-educated and skilled Malawians go abroad and are employed out of the country.<sup>88</sup>

New technologies, especially electronics, motor vehicle and in the construction industry, are entering the market in Malawi. Companies often hiring expatriates since the education system miss the mark to provide appropriate labour. Few technical training institutions offer training in these areas. The high skills mismatch in Malawi turns clients or customers seeking services from foreign countries, which consequently affecting union membership.<sup>89</sup>

## SOCIAL PROTECTION

Poverty and vulnerable working conditions is a part of everyday life for most people in Malawi. Part of this is that Malawi's social protection system has been fragmented. On the positive side, social protection has increased significantly over the last decade, but significant coverage gaps remain among districts, target groups, and age categories. The social protection policy has been reformed (see below). A particular weakness is that the current social protection approach does not



adequately address the predictable seasonal nature of needs and food insecurity, which can be exacerbated by climate changes.

Table 16 below outlines the status of social protection in Malawi. Overall, the population covered by at least one social protection benefit is estimated at 21% of the population in 2016. This rate is relatively high in comparison to the neighbouring countries, but the scope of the benefits are still not contributing to a significant poverty reduction in the country (see also Table 19 ahead). Total spending on social protection for the elderly and children is low compared to spending on programs for the working age population. Moreover, there are no specific interventions that directly address the needs of Malawi's children besides school feeding programs. And it challenges the country's SDG target on the proportion of population covered by social protection floors/systems by 2030 (see also SDG Table in Page v).

**Table 16: Proportion of population covered by social protection floors/systems in Malawi, %, 2016**

Indicators	%
Children covered by social protection benefits (Contingency)	9.8 %
Persons above retirement age receiving a pension (Contingency)	2.3 %
Poor persons covered by social protection systems (Contingency)	22 %
Population covered by at least one social protection benefit (Contingency)	21 %
Vulnerable persons covered by social assistance (Contingency)	20 %

Note: Refers to the population effectively covered by at least one social protection cash transfer.

Source: [ILO, SDG labour market indicators](#)

The total social protection expenditure is relatively high in comparison with the sub-Saharan Africa average. A vast majority (91%) of social protection expenditures is covering public health expenditure (Table 17). However, access to affordable health care is yet not safeguarded (see also Appendix Table 23: Informal workers access to national social security schemes in Malawi, 2018). In addition, income security is lacking.

**Table 17: Status of public spending and coverage on social protection schemes in Malawi and sub-Saharan Africa (SSA), 2015/16**

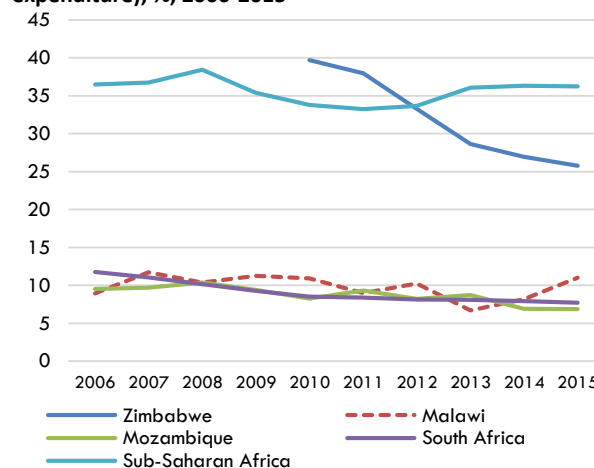
Indicator	Measure	Malawi	SSA
Total social protection expenditure	% of GDP	6.8 %	4.3 %
Public health expenditure	% of GDP	6.2 %	5.4 %
Trends in government expenditure in health	Change, 2006-2015	5.5 p.p.*	N/a

\* Percentage point.

Source: [World Bank, World Development Indicators](#) and own estimations on trends in government expenditure in health.

Allocation of spending in health care is based on an extensive network of facilities nationwide. Over the last decade, the government health expenditure (% of general government expenditure) increased from 5.5% in 2006 to 11% in 2015.<sup>90</sup> Other data reveal that Malawi has a very high health-care expenditure not financed by private households, which indicates that the government is prioritizing the health sector (Figure 10).

**Figure 10: Out-of-pocket expenditure (% of current health expenditure), %, 2006-2015**



Note: Out of pocket expenditure is any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups. It is a part of private health expenditure.

Source: [World Bank, World Development Indicators](#)

A mandatory national pension system (NPS) was established in 2011 that requires both employee and employer contributions. 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.<sup>91</sup> However, the Pension Act does not establish an effective floor in term of entitlements, but consultations are underway.

The on-going workers' Compensation Fund is a form of insurance providing wage replacement and medical benefits to employees injured in the course of their job that is in addition to the Pension Fund. On the positive side, the Pension Fund also provides the opportunity to individuals like the self-employed. SMEs to contribute this fund also provide the opportunity to informal workers to contribute as long as they would be able to meet the conditions. However, domestic workers still face challenges as the Workers Compensation Act does not consider a household as work place hence sidelining domestic workers. Despite informal workers have access to social security schemes (voluntarily) and can enjoy only some of benefits such as medical care and employment injuries, a lack of sufficient health resources in public hospitals and high costs in private hospitals discourage the informal economy workers to largely join the schemes.<sup>92</sup> Another reason why a majority of informal workers are not covered by social protection schemes in practice is because providers have not yet designed systems that would allow this segment contribute. For instance, how to collect premiums has been a challenge because it is claimed that their income is very irregular despite they are able to pay market fees on a diary basis for them to stay in business.

A minor proportion of elderly receiving an old age pension in Malawi, which has registered at 2.3% in 2016 (Table 16 above). To compare to the surrounding countries – Mozambique, Zambia and Tanzania – their percentage of people receiving an old age pension was 17%, 7.7% and 3.2%, respectively. This stumpy coverage in Malawi is related to the existing formal and informal social security systems with limited scope and coverage, and generally operating beyond labour market regulations. The government is in progress of exploring the options of responding to the high eldercare demands and initiate a universal old age pension scheme.

Work injury benefits are provided under the Worker's Compensation Act.<sup>93</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. In 2018, the government of

Malawi started the process of developing a Workers Compensation Fund. Employers will contribute a certain percentage of their wage bill, and in case of injuries or compensations the fund will take over the responsibility from employers.

The Malawian Integrated Household Survey from 2015-2016 furthermore showed that the impact of food and cash transfers has been modest in terms of generalized poverty reduction or in strengthening the resilience of households (see also Table 19 in next section). There have also been problems in targeting the services, resulting in the exclusion of about half of the poor and inclusion of about 40% of the non-poor. The programs' scales are too small and too brief: For example, people benefitted from such programs between one and eight months depending on the program; and 2.1% to 2.4% of the population had received benefits through the cash transfer programs.<sup>94</sup>

The only primary health insurance provider is the Medical Aid Society of Malawi (MASM), and 95% of its members are formal workers.<sup>95</sup> The government additionally established loan schemes such as the Youth Development Fund (YEDEF), the Malawi Rural Development Fund (MARDEF), and Income Generating Programme.

The Malawi National Social Support Program (MNSSP) from 2013 worked on strengthening social protection and curb its fragmentation. The government implemented an extension of MNSSP in 2016 that will run from 2018 to 2023. This program is slightly different compared to its successor and is divided into three more general thematic areas that attempt to create a higher degree of linkage between complementary services such as education, health, and agriculture. The new three pillars are i) consumption support to poor and vulnerable households through cash or in-kind transfers; ii) promoting resilient livelihood, by clearing graduation pathways and utilising the services, which the MNSSP do not cover; and iii) shock sensitive social protection. As previously mentioned, Malawi is very dependent on the agricultural sector, and unpredictable weather changes can have a significant influence on agricultural production and thereby the general economy. The latter pillar protects the workers in case of unpredictable shocks and prepares them for seasonal changes.<sup>96</sup>

The public social Cash Transfer program targets the most vulnerable households reaching approximately 270,000



households (1,134,000 individuals – of whom over 641,000 are children).

According to Malawi Demographic and Health Survey (MDHS) from 2016, 8.8% of the total population in the age-group 15-49 are HIV positive. In the same survey from 2010, the share of HIV positive in the same age-group was 11%. Thus, a fall in HIV prevalence is in progress. HIV continues as an important issue in the nation, and especially in urban areas among women the rate is high at 18%. Generally, twice as many women as men are HIV positive, and HIV is almost two times more widespread in urban than rural areas.<sup>97</sup>

## ECONOMIC PERFORMANCE

Malawi is one of the world's least developed countries. The government aims to transforming the country to a technologically driven middle-income country. Several factors have influenced the country's economic development, such as weak infrastructure, frequent power cuts, policy inconsistency, fast population growths, and poor education and health conditions. These aspects have created constrains of the labour productivity. The economy is dependent on substantial inflows of foreign aid and heavily tied up on the agricultural sector that generates 80% of export revenues.<sup>98</sup>

A negative view on the government has risen exponentially in recent years. Several corruption scandals of the government had a negative impact on the populations view on public institutions.<sup>99</sup> A political parties' status survey from August 2018 revealed that 79% of Malawians believed that the economic condition of the country was 'bad' while only 11% said it was 'fairly good'. Most Malawians were not optimistic about the future. Another study MCTU conducted in 2018 found that political parties take advantage of the decent work deficits and other challenges in the informal economy. For instance, various political parties in Malawi, including the current party in government DPP, strategically form political groupings from the informal economy, which are then used to advance the political agendas of the politicians. As an example, groupings from market vendors and other SMEs to benefit from some public services or financial support need to join a political grouping. These members are called cadets and sometimes called political wings. The presence of these political groups has negatively affected the

implementation of development projects, for instance during project implementation especially those targeting informal workers and SMEs, are sometimes perceived as campaign tools. In some instances, project outcomes or goals have been missed because most workshops are attended by cadets who perceive such workshops as political activities rather than developmental.

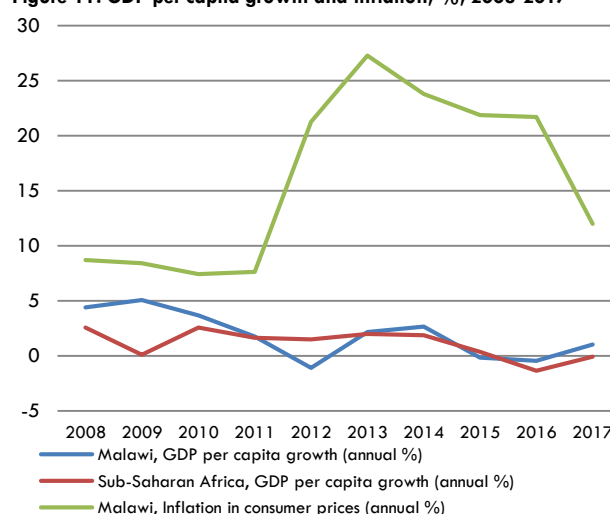
Malawi's Gross Domestic Product (GDP) was estimated to be at US\$6.3 billion in 2017. The country has experienced an economic growth of 5.0% on average during the last decade, which is 2.0 percentage point lower than the global Sustainable Development Goals' target of 7%. In 2015 and 2016, droughts largely affected the crops in the agricultural sector, and thereby the economy in general.<sup>100</sup> Taking into consideration the relatively high population growth, the GDP growth per capita was set at 1.9% on average during the last decade. This still is higher than the sub Saharan African average that reached 1.1% (Table 18 and Figure 11). Despite a positive economic growth, the country remains one of the economic poorest countries in the world in terms of the GDP per capita; ranked as number 223 out of 229 countries (1 is richest).<sup>101</sup>

**Table 18: Key economic data in Malawi**

GDP (2017)	US\$ 6.3 billion
GDP per capita (current US\$) (2017)	US\$ 338
GDP real growth (average, 2008-2017)	5.0 %
Inflation (estimate) (2018)	10 %

Source: [World Bank, World Development Indicators](#)

**Figure 11: GDP per capita growth and inflation, %, 2008-2017**



Source: [World Bank, World Development Indicators](#)



Inflation in consumer prices has been very high during the 2010s, so far (Figure 11 above). This is, among others, after the switch to a floating exchange rate regime in 2012. Both food and non-food prices are influenced by these changes, which point towards the elevated inflation rate. Weather-related shocks also play important roles in driving up inflation that is squeezing the cost of living. To curb the high inflation, the government has wriggled to keep a stable exchange rate and fuel prices, and tight monetary and fiscal policy since 2017. The inflation rate went into a drop in 2017 reaching 12%. The inflation was projected to reach around 10% in 2018, but it was noted in July 2018 that the upward revision in domestic fuel pump prices coupled with the recent hike in electricity tariff could worsen the inflation. The relatively high inflation contributes to a high cost of living and reducing the incomes purchasing power. During 2018 there were several strikes in a cross section of the economies of Malawi on claims ranged from improved general working conditions, payment of salary arrears, and of cost of living wage reviews.<sup>102</sup>

Capital formation in a country shows how much of the new added value in the economy is invested rather than consumed. When investments increase, it points towards that economic activities are in progress, which could support the economic development and job creation. This capital formation in Malawi was above 20% of GDP in the 2000s, but it plummeted down to 12% on average in the period from 2011 to 2017, and it is below the sub-Saharan African average at 20%.<sup>103</sup> This difference signifies that a large amount of money was no longer spent in investment in new capital but converted to consumption. This aspect was an impact of the mentioned abandoned fixed exchange rate regime in 2012 after devaluing the kwacha by 49%, and left it to be determined by the market forces of demand and supply. Companies often face difficulties in growing to scale. Also, Malawi made formalizing a business more expensive in 2018 by increasing the cost of registering a business with the Registrar General.

As already demonstrated in this Profile, informality in doing business is dominating the economy. One of the reasons why it remains informal is that the business regulations are quite cumbersome. On the global Doing Business Index, Malawi is ranked number 111 out of 190 countries (1 is best) in 2019, which is a higher score compared to the sub-Saharan African average. The state

made the list of top 10 improvers on the Doing Business Index 2018 for the first time. Particularly the measures on dealing with construction permits, receiving credit and trading across borders have improved.<sup>104</sup> However, there are still areas that need improvements. Starting up a business, getting electricity, registering property and paying taxes are still areas in Malawi that are cumbersome (see more on Appendix Table 22).

A middle-class living with at least US\$5 per day has experienced a minimal rise since 2000: it was measured as 8% in 2018, which was much lower than the average in the Southern African region at 65%. In contrast, a majority of Malawians were extremely working poor covered 64% in 2018. It has dropped slightly since 2010 and is projected to drop down further to 60% in 2020. As just indicated, the number of extremely working poor in Malawi remains very high in comparison to the Southern African region, which was estimated at 8%. In 2018, 19% were in a vulnerable stance that kept them moderately poor, and the number is expected to rise on the margin to 20% in 2020 (see more in Table 19). Noteworthy to mention is that a gender gap among extremely working poor in Malawi is present: 60% of Malawians men in the age group 15+ were extremely working poor while it was 68% among women. This gender gap is related to that men are more active among employees in the formal sector where they achieve higher and stable earnings.

**Table 19: Estimation and projection of employment by economic class in Malawi, 2000-2020**

Year	Extremely poor (<US\$1.90)	Moderately poor (>=US\$1.90 & <US\$3.10)	Near poor (>=US\$3.10 & <US\$5)	Middle class (>=US\$5)
2000	64 %	21 %	9 %	6 %
2010	67 %	18 %	9 %	7 %
2020	60 %	20 %	11 %	9 %

Sources: [ILO, Key Indicators of the Labour Market \(KILM\)](#)

### Export Processing Zone (EPZs)

All companies engaged exclusively in manufacture for export may apply for EPZ status. EPZ companies are foreign owned in Malawi. A Manufacturing under Bond (MUB) scheme offers slightly less attractive incentives to companies that export some of their products, but not all. Most investors prefer to operate under the EPZ arrangement.<sup>105</sup>



A study commissioned by the Malawian government identified that the EPZ had created less foreign direct investments, employment and diversification of exports than expected.<sup>106</sup> On this background, the parliament passed the Export Processing Zones Amendment Bill in June 2013 to restructure the regulations of the EPZs. As a result, investors in EPZs no longer enjoy a zero corporate tax rate. The number of factories that were designated as EPZs declined afterwards from 30 to 10.<sup>107</sup> EPZ regulations were reviewed in 2015 but are yet to be

approved by the parliament. It is expected that companies that will be producing under the new EPZ regulations will be required to sell 20% of their products on the domestic market, but these will be subjected to appropriate taxes.

No data is available on the number of EPZ workers in Malawi. Anti-union harassment is frequent in EPZ, and union organizers have little access to workers in these zones in Malawi.<sup>108</sup>



## APPENDIX: ADDITIONAL DATA

**Table 20: Status of Trade Union Membership and Collective Bargaining Agreements (CBAs) in Malawi, 2017-2018**

Trade unions	Paid up members, 2018	Women share, 2017	Change in membership, 2014-2018	Number of CBAs, 2017
<b>Malawi Congress of Trade Unions (MCTU)</b>				86
Building Construction Civil Engineering Allied Workers Union (BCCEAWU)	6,401	-	0 %	2
Civil Servants Trade Union (CSTU)	15,000	-	14 %	4
Commercial, Industrial & Allied Workers Union (CIAWU)	12,053	21 %	27 %	3
Escom Staff Union (ESU)	1,830	-	-36 %	1
Hotels Food Catering Services Union (HFCSU)	6,054	-	21 %	12
Malawi Housing Corporation Workers Union (MHCWU)	350	-	0 %	1
Communication workers unions of Malawi (COWUMA)	3,010	26 %	20 %	7
Plantations Agriculture Allied Workers Union (PAAWU)	10,791	-	-9 %	2
Private Schools Employees Union of Malawi (PSEUM)	3,799	28 %	15 %	1
Railways Workers Union of Malawi (RWUM)	368	5 %	0 %	2
Sugar Plantation Allied Workers Union of Malawi (SPAWUM)	8,898	5 %	43 %	1
Teachers Union of Malawi (TUM)	45,000	35 %	29 %	2
Textiles Garments Leather Security Services Union (TGLSSU)	5,066	8 %	-35 %	22
Tobacco Tenants Allied Workers Union of Malawi (TOAWUM)	6,755	48 %	-75 %	1
Transport General Workers Union (TGWU)	12,233	6 %	250 %	18
University Workers Union (UWU)	1,085	-	0 %	1
Water Employees Union of Malawi (WETUM)	2,655	17 %	7 %	4
National Organisation of Nurses and Midwives (NONM)	1,127	-	-25 %	-
Malawi Union for Informal Sector (MUFIS)	2,514	65 %	14 %	
Shipping Customs Clearing Allied Trade Union (SCCATU)	200	6 %	-43 %	-
Municipal Workers Union (MWU)	2,240	20 %	-50 %	-
Malawi Musician Union (MMU)	1,200	-	-	-
Association of Magistrates (AMA)	170	-	-	-
Chemicals, Mining and Aligned Workers Union (CMAWU)	326	-	-	-
<b>Total</b>	<b>149,125</b>	<b>27 %</b>	<b>1.1 % *</b>	<b>N/a</b>

\* Four trade unions had no updated membership data available, and three others were affiliated since 2017. Except the BCCEAWU, these mentioned unions are relatively small in terms of membership. Thus, the calculated total membership rate change is quite realistic.

Source: MCTU and own calculations on change in membership.



**Table 21: Status of ratified ILO Conventions in Malawi**

Subject and/or right	Convention	Ratification date
<b>Fundamental Conventions</b>		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948	1999
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1965
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	1999
	C105 - Abolition of Forced Labour Convention, 1957	1999
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	1999
	C182 - Worst Forms of Child Labour Convention, 1999	1999
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	1965
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1965
<b>Governance Conventions</b>		
Labour inspection	C081 - Labour Inspection Convention, 1947	1965
	C129 - Labour Inspection (Agriculture) Convention, 1969	1971
Employment policy	C122 - Employment Policy Convention, 1964	Not ratified
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1986
<b>Up-to-date Conventions</b>		
Migrant Workers	C097 - Migration for Employment Convention (Revised), 1949	1965
Employment Policy	C159 - Vocational Rehabilitation and Employment (Disabled Persons), 1983	1986
Specific categories of workers	C149 - Nursing Personnel Convention, 1977	1986

Note: 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. 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 promote a well-regulated and well-functioning labour market. In addition, there are 71 conventions, which ILO considers "up-to-date" and actively promotes.

Source: [ILO, NORMLEX, Country Profiles](#)

**Table 22: Ease of Doing Business in Malawi, 2019**

Topics	Ranking
Overall	111
Starting a Business	153
Dealing with Construction Permits	136
Getting Electricity	169
Registering Property	83
Getting Credit	8
Protecting Minority Investors	110
Paying Taxes	134
Trading Across Borders	126
Enforcing Contracts	145
Resolving Insolvency	141

Note: Doing Business 2019 indicators are ranking from 1 (top) to 190 (bottom) among other countries. The rankings tell much about the business environment, but do not measure all aspects of the business surroundings that matter to firms and investors that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Source: [World Bank & IFC, Ease of Doing Business 2019 in Malawi](#)



**Table 23: Informal workers access to national social security schemes in Malawi, 2018**

Coverage	National Social Security Scheme	Private Social Security Scheme	Remarks
Access to medical care	Yes; health services	Yes	But accessibility is not conducive-due to lack of appropriate resources for Public and for Private very expensive for informal workers. Most informal workers have irregular income
Sickness	Yes	Yes	But accessibility is not conducive-due to lack of appropriate resources for Public and for Private very expensive for informal workers. Most informal workers have irregular
Unemployment	No	Yes	No for public but yes for private even though it is expensive
Old age benefit	Yes	yes	There is social cash transfers and farm input subsidy programmes, and mandatory Pension Scheme is being implemented.
Employment injury	No; but currently working on a Workers Compensation fund which will cover workers from all sorts of work related risks.	Yes	For private very difficult to access, since there are so many stakeholders involved from the employer, insurance companies, lawyers, evaluators, financial institutions banks
Family benefit	No	Yes	For private but expensive for the beneficiaries in the event of injury resulting into death of spouse.
Maternity benefit	No	Yes	For private but expensive
Invalidity benefit	No; but currently working on a Workers Compensation fund which will cover workers from all sorts of work related risks.	Yes	N/a
Survivors benefit	No; but currently working on a Workers Compensation fund which will cover workers from all sorts of work related risks.	Yes	N/a

Source: MCTU



## REFERENCES

- <sup>1</sup> MCTU, Factors that lead to low membership among MCTU and its affiliates, August 2018 and MCTU Study on Assessing Decent Work Deficits in the informal economy, 2018
- <sup>2</sup> MCTU, Factors that lead to low membership among MCTU and its affiliates, August 2018 and MCTU Study on Assessing Decent Work Deficits in the informal economy, 2018
- <sup>3</sup> LO/FTF Council, Data-collection tool, Malawi, 2017
- <sup>4</sup> LO/FTF Council- Data collection
- <sup>5</sup> [MyWage.com, The informal sector](#)
- <sup>6</sup> MCTU, Annex 1: Partner's Annual Narrative Progress Report, January 15, 2019
- <sup>7</sup> [ABMA Education](#)
- <sup>8</sup> [MyWage.com, Trade Unions, Malawi](#)
- <sup>9</sup> [The Times Group, Ecam consults on labour amendments, March 8, 2017](#)
- <sup>10</sup> LO/FTF Council, Data-collection tool, Malawi, 2017
- <sup>11</sup> [ILO, Ministry of Labour in Malawi and the ILO host dialogue to discuss strategies to place Jobs at the Centre of the Malawi Growth and Development Strategy III, April 18, 2018](#)
- <sup>12</sup> [U.S. Department of State, Annual Country Reports on Human Rights Practices, 2017](#)
- <sup>13</sup> [National Construction Industry Council, NCIC membership](#)
- <sup>14</sup> [National Construction Industry Council, Membership directory](#)
- <sup>15</sup> [U.S. Department of State, Annual Country Reports on Human Rights Practices, 2017](#)
- <sup>16</sup> [Construcion Review, National Construction Industry Council of Malawi \(NCIC\): greater share of jobs for locals. August 8, 2015](#)
- <sup>17</sup> [ILO, Placing jobs at the heart of the Malawi Growth and Development Strategy III, April 24, 2018](#)
- <sup>18</sup> LO/FTF Council
- <sup>19</sup> [U.S. Department of State, Annual Country Reports on Human Rights Practices, 2017](#)
- <sup>20</sup> [Malawi Labour force Survey, 2013](#)
- <sup>21</sup> MCTU, Data collection for Labour Market Profile, 2018
- <sup>22</sup> [ALREI.com, Status of Wages, Labour Laws and Collective Bargaining Agreements and the Impact on Workers in Malawi by Semu N. Chikondi](#)
- <sup>23</sup> MCTU, Annex 1: Partner's Annual Narrative Progress Report, January 15, 2019
- <sup>24</sup> [ILO, NATLEX, Malawi](#)
- <sup>25</sup> [Republic of Malawi \(Constitution\) Act, 1994 \(No. 20 of 1994\)](#)
- <sup>26</sup> [Theory of change case studies, Girlsnotbrides, Malawi](#)
- <sup>27</sup> [The Times Group, Ecam consults on labour amendments, March 8, 2017](#)
- <sup>28</sup> [U.S Department of State, Annual Country Reports on Human Rights Practices, 2017](#)
- <sup>29</sup> [U.S. Department of State, Annual Country Reports on Human Rights Practices, 2013](#)
- <sup>30</sup> [ITUC, Survey of violations of trade union rights, Malawi](#)
- <sup>31</sup> [NORMLEX User Guide](#)
- <sup>32</sup> [ILO, NATLEX, Country Profile, Ratifications for Malawi](#)
- <sup>33</sup> [ILO, NORMLEX, Comments adopted by the CEACR: Malawi](#)
- <sup>34</sup> [Ebert & Posthuma, ILO, ILS, 2011, Labour provisions in trade agreements: current trends and provisions](#)
- <sup>35</sup> <http://www.agoa.gov>
- <sup>36</sup> [Malawi Confederation of Chambers of Commerce & Industry](#)
- <sup>37</sup> [MITC, Export Guide, Bilateral](#)
- <sup>38</sup> LO/FTF Council, Data collection tool, Malawi, 2017
- <sup>39</sup> Independent Reporting Mechanism (IRM): Malawi Progress Report 2016-2017
- <sup>40</sup> [Republic of Malawi, Malawi National Public Sector Reforms Policy \(2018-2022\), February 2018](#)
- <sup>41</sup> [ITUC, Global Rights Index 2018](#)
- <sup>42</sup> [ITUC, Survey of violation of trade union rights, Malawi](#)
- <sup>43</sup> [U.S. Department of State, Annual Country Reports on Human Rights Practices, 2017](#)
- <sup>44</sup> [World Bank, Minimum Wages in Sub-Saharan Africa: A Primer, The World Bank Research Observer, Volume 32, Issue 1, 1 February 2017, Pages 21-74](#)
- <sup>45</sup> [Research Gate, The Role of Labour inspection in Labour disputes Settlement framework in Malawi, October 2013](#)
- <sup>46</sup> [ILO, Labour Administration and Labour Inspection, Malawi](#)
- <sup>47</sup> [U.S. Department of State, Annual Country Reports on Human Rights Practices, 2017](#)
- <sup>48</sup> [Statista.com](#)
- <sup>49</sup> [CIA, The World Factbook](#)
- <sup>50</sup> [ILO, ILOSTAT, Paid employment vs vulnerable employment](#)
- <sup>51</sup> [African Economic Outlook Malawi, 2018](#)
- <sup>52</sup> [Malawi Labour force Survey, 2013](#)
- <sup>53</sup> [Malawi Labour force Survey, 2013](#)
- <sup>54</sup> [Malawi Labour force Survey, 2013](#)
- <sup>55</sup> [World Bank, Migration and Remittances Factbook 2011](#)
- <sup>56</sup> [Migration in Malawi, country report 2014, IOM](#)
- <sup>57</sup> [Integrated household panel survey Malawi national statistic, 2016](#)





- 58 [Malawi National Statistic, Integrated household panel survey, 2016](#)
- 59 [Republic of Malawi Malawi Urbanization Review, 2016](#)
- 60 [Republic of Malawi, Malawi Urbanization Review, 2016](#)
- 61 [Migration in Malawi, country report 2014, IOM](#)
- 62 [ILO, Women and men in the informal economy: A statistical picture, ILO, 2018](#)
- 63 [IMF, The Informal Economy in Sub-Saharan Africa: Size and Determinants, 2017](#)
- 64 [FinScope, MSME Survey, Malawi 2012](#)
- 65 [FinScope MSME Survey, Malawi 2012](#)
- 66 [Women and men in the informal economy: A statistical picture, ILO, 2018](#)
- 67 [Women and men in the informal economy: A statistical picture, ILO, 2018](#)
- 68 [Women and men in the informal economy: A statistical picture, ILO, 2018](#)
- 69 [National Statistics Office \(NSO\) of Malawi, National Child Labour Survey, 2015](#)
- 70 [National Statistics Office \(NSO\) of Malawi, National Child Labour Survey, 2015](#)
- 71 [U.S. Department of State, Annual Country Reports on Human Rights Practices, 2017](#)
- 72 [United States Department of Labor, Child labour and forced labour reports, 2017](#)
- 73 [Child labour and forced labour reports, United States department of labour, 2017](#)
- 74 [ILO, NORMLEX, Direct Request \(CEACR\) - adopted 2017, published 107th ILC session \(2018\), Worst Forms of Child Labour Convention, 1999 \(NO. 182\) - Malawi \(Ratification: 1999\)](#)
- 75 [World Economic Forum, The Global Gender Gap Report 2017 and UNDP, Human Development Report 2018, Table 5: Gender Inequality Index](#)
- 76 [National Statistical Office \(NSO\) \[Malawi\] and ICF. 2017. Malawi Demographic and Health Survey 2015-16. Zomba, Malawi, and Rockville, Maryland, USA. NSO and ICF](#)
- 77 [National Statistical Office \(NSO\) \[Malawi\] and ICF. 2017. Malawi Demographic and Health Survey 2015-16. Zomba, Malawi, and Rockville, Maryland, USA. NSO and ICF](#)
- 78 [Gender inequalities in rural employment in Malawi, 201, FAO](#)
- 79 [Labour market transitions of young women and men in Malawi, ILO 2014](#)
- 80 [Labour market transitions of young women and men in Malawi, ILO 2014](#)
- 81 [OECD Development Centre \(2018\), "Youth Well-being Policy Review of Malawi"](#)
- 82 [Labour market transitions of young women and men in Malawi, ILO 2014](#)
- 83 [World Bank, Primary Education in Malawi: Expenditures, Service Delivery, and Outcomes, 2016](#)
- 84 [Nyasatimes.com, Abolishment of school fees, September 25, 2018](#)
- 85 [ILO, Employment Sector: Employment Report No. 20, The enabling environment for sustainable enterprises in Malawi, 2013](#)
- 86 [Labour market transitions of young women and men in Malawi, ILO 2014](#)
- 87 [World Bank, DataBank](#)
- 88 [ILO, Employment Sector: Employment Report No. 20, The enabling environment for sustainable enterprises in Malawi, 2013](#)
- 89 [MCTU, Annex 1: Partner's Annual Narrative Progress Report, January 15, 2019](#)
- 90 [World Bank, World Development Indicators](#)
- 91 [ISSA, Social Security Country Profiles, Malawi](#)
- 92 [DTDA, SRO East Africa, Template for SRO data-collection tool, Malawi, 2018](#)
- 93 [ILO, NATLEX, Worker's Compensation Act, 2000 \(No. 7 of 2000\)](#)
- 94 [Malawi, Integrated Household Survey 2015-2016](#)
- 95 [ILO, Decent Work Country Programme, Malawi \(2011-16\)](#)
- 96 [ILO, Social protection Malawi, 2018](#)
- 97 [Malawi Demographic and Health Survey, 2015-2016](#)
- 98 [CIA, The World Factbook, Malawi](#)
- 99 [LO/FTF Council- Data collection](#)
- 100 [World Bank, World Development Indicators](#)
- 101 [CIA, The World Factbook, Malawi](#)
- 102 [MCTU, Annex 1: Partner's Annual Narrative Progress Report, January 15, 2019](#)
- 103 [World Bank, World Development Indicators](#)
- 104 [World Bank, Doing Business Index, 2018](#)
- 105 [U.S. Department of State, 2013 Investment Climate Statement - Malawi](#)
- 106 [Ministry of Industry, Trade and Private Sector Development, Nkhoma, "Export Processing Zones: Is it a Regime Worth the Sacrifice? – The Case of Malawi" 2007](#)
- 107 [TKN & IISD, Assessing Investment Incentives in Malawi, Policy Brief, 2012](#)



---

<sup>108</sup> [ITUC, Internationally Recognised Core Labour Standards in Malawi, Report for the WTO General Council review of the trade policies of Malawi, 2010](#)