garment production in malawi

introduction

This research continues a series of investigations into conditions in the garment and textile sector in Southern Africa. The impact of trade under dispensations such as the African Growth and Opportunities Act (AGOA) And the Cotinua agreement between the European Union and The Africa, Caribbean and Pacific nations is examined with reference to their role in investment, labour conditions and the social impact of global commodity supply chains. The research has acted as a bridge between Campaigning organisations such as the Clean Clothes Campaign in the North and Trade union formations such as the International Textile Garment and Leather Workers Federation (ITGLWF) Africa, and its affiliates in the garment and textile industry in the south.

Malawi is one of the world's poorest countries. It is a landlocked country that is still struggling from the regional legacy of the destabilisation policies of the previous South African apartheid regime which saw the intentional blockading of countries by the destruction of transport links forcing exports and imports to travel through South Africa. Malawi's traditional link to the sea via Biera in Mozambique is still inaccessible by rail for this very reason and today transport costs are one of the biggest barriers to investment in and trade with Malawi. The state of the port of Biera discourages most companies from using it and testifies to the effects of years of war in Mozambique largely funded and orchestrated by the apartheid regime and further fuelled by elements of the international community that sustained the apartheid state. Malawi also bore the enormous direct social costs of millions of refugees fleeing this conflict. Between 1985 and 1995, Malawi accommodated more than a million refugees from Mozambique and the refugee crisis placed a substantial strain on Malawi's economy.

From independence in 1967, Malawi has been governed using economic strategies for development that acknowledged the central role of the state in satisfying basic needs of people which meant much state ownership and control of production. Industrial development largely took place using import substitution strategies. Distribution of wealth still remained fairly limited under these policies but the social indicators of development in Malawi are better during this period when compared to statistics emerging after the implementation of structural adjustment programmes in the 80's and the liberalisation of markets and ownership that followed the onset of multi-party democracy in 1994.

The process of liberalisation is linked to development strategies that emphasise the need for foreign direct investment and competitive exports for Malawi to participate in the international economy. This strategy has seen a general deepening of poverty which along with the HIV/AIDS pandemic and a chronic lack of access to affordable treatment has seen life expectancy in Malawi drop below 40 years.

Industry and employment in Malawi reflects this reality through marginal investment confidence and in the precarious nature of employment. High transport costs via South Africa tend to offset the incredibly low cost of labour. The garment industry initially established to satisfy domestic needs and later to supply South Africa as a result of a bilateral trade agreement between Pretoria and Lilongwe initially experienced growth but has been characterised by declining levels of investment (domestic and foreign) over the past few years with a consequent reduction in employment and a dramatic decrease in real wages. As a consequence of the above, labour conditions in Malawi are poor and characterised by long hours, scant regard for workers health and safety and wages which are, in the garment sector as well as in many other sectors, amongst the lowest in the world.

The African Growth and Opportunity Act (AGOA), allows garments manufactured in qualifying African countries, duty free access to the American market But requires the use fabric from the US, or an AGOA eligible country unless a country is exempt from this provision by virtue of its lesser Developed country (LDC) status. These exemption were to be phased out by September 2004 but given the industries continued dependence on low cost fabrics from the East and the Scarcity of quality fabric produced in Africa may well see the extension of these exemptions.

AGOA has lead to small investments in existing facilities in Malawi but this has not been comparable to the large scale investments in counties like Lesotho and Swaziland that has resulted in the opening of large new garment factories. Investment in the Malawian garment sector has been directed to upgrading existing facilities to meet more stringent standards set by American buyers thus indicating a shift in focus of garment trade from South Africa to the United States. If anything the advent of AGOA has staved off some job losses that would otherwise have occurred due to the capping of imports from Malawi to South Africa after the signing of the SADC trade protocol.

Methodology

The research in Malawi was conducted in August 2003 in Blantyre and Lilongwe by SOMO and the Workers College. In depth interviews were held with managers of the various companies as well as with relevant stakeholders such as government departments and parastatal agencies intended to facilitate trade and investment as well as the trade union organising in the sector. Focus groups were held with workers from the respective factories to better understand labour conditions and wage disbursement systems and in some cases in-depth interviews were held with individual workers. These interviews and focus groups were conducted off site.

Economy

The garment industry in Malawi needs to be understood in the context of the wider problems in the economy of this country. Malawi is a landlocked country. The Currency used is the Malawi Kwacha. (1)

Its economy is heavily dependent on agriculture with few exploitable mineral resources and limited industry. Its two most important export crops are tobacco and tea. Traditionally Malawi has been self-sufficient in its staple food, maize, and during the 1980s exported substantial quantities to its drought-stricken neighbours. But has had to sell reserves during surplus years and has in bad harvests experienced severe food shortages.

Agriculture represents 36% of the GDP, accounts for over 80% of the labour force, and represents about 80% of all exports in 1998. Nearly 90% of the population engages in subsistence farming. Smallholder farmers produce a variety of crops, including maize, beans, rice, cassava, tobacco, and groundnuts. Almost half of the poor household population is self-employed and agriculture is the predominant economic activity, especially in the rural areas. Around 50.4% of the population is engaged in non- farm business activity, and this proportion is higher in urban areas (67.5%) than in rural areas (47.9%). Trading is the most common non-farm business activity for both the urban and rural areas. (2)

Financial wealth is generally concentrated in the hands of a small elite while poverty is widespread in Malawi and for many people, it hampers the ability to gain access to or acquire certain basic social services or capabilities. In 1998, the wealthiest 20% of the population consumed 46.3% while the poorest 20% consumed only 6.3% of the reported total consumption of goods and services. When looking at urban areas, where all the garment factories can be found, the gap widens, with the wealthiest 20% consuming 58.4% and the poorest 20% consuming only 4.5%. Life expectancy has dropped from 43 in 1996 to 38.5 in the year 2000.(2)

“High transport costs, which can comprise over 30% of its total import bill, constitute a serious impediment to economic development and trade. Malawi must import all its fuel products. Paucity of skilled labour; difficulty in obtaining expatriate employment permits; bureaucratic red tape; corruption; and inadequate and deteriorating road, electricity, water, and telecommunications infrastructure further hinder economic development in Malawi.” (2))

Malawi has undertaken economic structural adjustment programs supported by the World Bank, the International Monetary Fund (IMF), and other donors since 1981. Broad reform objectives include stimulation of private sector activity and participation through the elimination of price controls and industrial licensing, liberalisation of trade and foreign exchange, rationalisation of taxes, privatisation of state-owned enterprises, and civil service reform.

Growth has been erratic and low on average. The distribution of growth has been highly skewed towards the wealthy. This is clearly demonstrated by a World Bank study in 1998, which demonstrated that assuming past patterns and distributions of growth, the economy would have to grow at 5.3 percent a year just to maintain constant levels of poverty. This compares unfavourably to the average of 4.5 percent growth in the period 1994-2000. However, the study also shows that changes in the distribution of growth would have a far greater impact on poverty reduction. The challenge for Malawi is therefore to improve both the quantity and quality of growth. (5)

Malawi has seen an average annual inflation that has hovered around 30% in 2000 and 2001, keeping discount and commercial bank rates high (the discount rate was 47% in December 2000). This meant that lending rates reached 54% in the middle of 2001 to 2002.(4) High inflation rates have stimulated a very conservative monetary policy response that has seen high interest rates imposed in an attempt to reduce spending and curb inflation. This is a questionable strategy in that it stifles any attempts at domestic investment that would require finance capital hence reducing the potential of sectors to absorb labour.

The Malawi Kwacha has gradually declined in value against the US Dollar as a result of liberalisation of exchange controls, the Kwacha appreciated from about K80.00 to the dollar in January 2001 to about K62.00 to the US dollar in September 2001, and has since depreciated to about K76.00 to the United States dollar in May 2002. The currency is currently over k100 to the US dollar. This has the potential benefit of stimulating the export sector but due to limited capacity and high inflation rates curbing domestic investment as reflected in this research on the garment industry where managers frequently cited the interest rate as the reason for limited investment. (3) World agricultural prices have been declining for some times which tends to undermine the advantages of a weakening currency for export revenues where a country has a agriculturally intensive export base. The garment sectors performance has not served to reduce the countries reliance on agricultural exports, still making up 80% of total exports (2), in addition to which this trend of declining prices has had a negative impact on the cotton industry.

Human Development Index (6)	
Life expectancy at birth (years), 2001	38.5
Adult literacy rate (% age 15 and above), 2001	61.0
Combined primary, secondary and tertiary gross enrolment ratio (%), 2000/01	72.1
GPD per capita (PPP US$), 2001	570
Life expectancy index, 2001	0.22
Education index, 2001	0.65
GDP index	0.29
Human Development index (HDI) value, 2001	0.387
GDP per capita (PPP US$) rank minus HDI rank	11

Poverty

According to the 1998 Integrated Household Survey (IHS) consumption data, 65.3% of the population is defined as poor, which is roughly 6.3 million people. The National Statistics office publication on social statistics, within the realm of their Poverty Monitoring System, defines poverty as “a level of consumption and expenditure by individuals in a household, which has been calculated to be insufficient to meet their basic needs”. When looking at the ultra-poverty headcount, which is, according to the definition used in the same publication, the “Percentage of the population whose daily consumption is below the ultra-poverty line (consumption less than 60% of the poverty line)” 28.7% of the Malawi population in 1998 lived in ultra-poor households. When looking closely at the mapping of Blantyre in 1998, in the area where most of the garment and textile industry can be found, more than 40% of the population lives below the ultra-poverty line. Urban areas had an average Gini coefficient of 0.52 indicating highly inequitable wealth distribution in these areas. Whilst the rural Gini coefficient is lower at 0.37 this is only because of generally low income in these areas. i.e. it is comparing low wealth with very low wealth. (2))

Spending Patterns

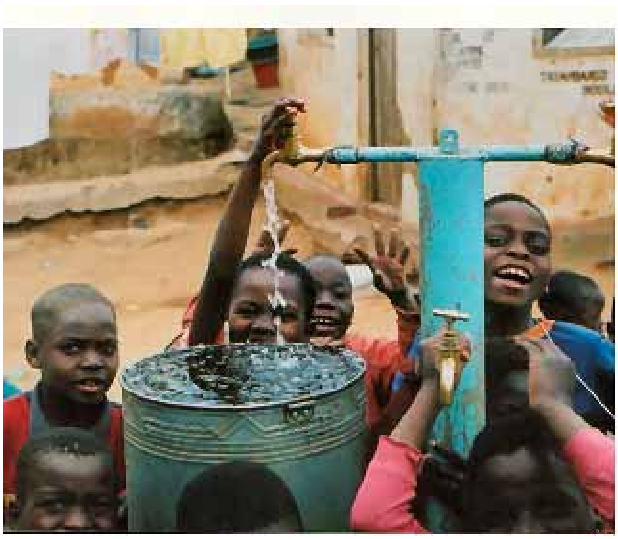
According to a study by the Government of Malawi, about 76.0% of the income of the poor is used on food, while non-poor households use only 55.4% of their income on food. The rural poor also are likely to spend more on food (80.9%) than the urban poor (57.5%). The urban poor tend to spend relatively more on housing and utilities than the rural poor. And generally it can be said that poor households spend most of their income on food. Food insecurity is considered to be a major characteristic of a poor household as there is inadequate income to be spent on other basic needs as well as productive means. (5)

Where do garment workers wages go?

The workers interviewed say that most garment workers are the sole breadwinners in their family. On average, these workers support 4 dependants.
Workers earn between 12US$ and 34US$ a month. The cheapest housing is 5US$ per month for one room with a grass roof, without electricity and water.
They will pay about 1US$ per day on food for a family of 4 consisting of morning tea and a bun, potato or cassava for lunch and fish and vegetables in the evening. Some workers have to pay 1US$ a month to the factory for a bread roll at lunch. School fees are about 5US$ a month.
The workers interviewed do not use transport to go to their work as a short distance can cost 4US$, and 10US$ for longer distances, a month so they walk, sometimes very long distances as workers live between 8 km and 30 km from their place of work. Transport could cost up until 50 MK. The workers buy second hand clothes which will cost them about I.50US$ per item.
Most participants say they are in debt all the time as a means to survive and will have to pay this back with a 50% interest. (7)

HIV/AIDS

Life expectancy in Malawi in 2001 was 38.5 years, which has dropped substantially since the 80's. One of the reasons for this is the high rate of HIV/AIDS in Malawi. About 13% of rural women and 25% of urban women who went to a clinic for childbirth was infected with HIV. The increase in the amount of children being born with HIV is substantial as is the risk of becoming an orphan. Every year about 70 000 children are orphaned in Malawi. The prevalence rate of HIV/AIDS is 15%, by a conservative estimate. In the research, it emerged that one of the main concerns for workers is the lack of financial assistance to their family for funeral costs and provisions for their



family by employers in the event of their death. For many workers, their death would mean a total loss of income for their dependants, leaving their families destitute. (6)
Malawi's manufacturing industries are situated around the city of Blantyre. Similarly, with the exception of one factory situated in Lilongwe, all garment factories visited in this research were in Blantyre. The garment sector in Malawi is small in comparison to some other countries, like Mauritius, Lesotho, Madagascar, Kenya and Swaziland, in Southern and Eastern Africa. Two large Taiwanese owned companies dominate the sector employing over half (approximately 5500 workers) of all those employed in the formal garment manufacturing sector in Malawi. This investment came in after the Bilateral Investment Agreement (BIT) between Taiwan and Malawi was signed in 1995. Lesotho and Swaziland attracted far more investment under a similar agreement tending to suggest these countries as preferred investor destinations. The bulk of AGOA related profits that are currently being accumulated in Malawi similarly to Lesotho and Swaziland are going to foreign and in particular Taiwanese companies and not local manufacturers. Given the ease of repatriation of profits for foreign investors very little of the investment and industry benefits the local people. There is one large domestically owned company employing some 1500 workers, the rest of the garment industry is made up of several small to medium sized foreign owned and local companies employing between 30 and 500 workers.

Production	HS	Unit	1996	1997	1998	1999	2000
Seed Cotton	00	Tons	82 600.0	45 100.0	36 300.0	52 678.0	34 900.0
Cotton Lint	5201	Tons	19900.1	20 947.5	7 054.5	6 278.5	6 592. 4
Cotton Yarn	5205	Tons	13682.3	15202.5	12366.9	9965.4	31463.7
Cotton Fabric	5208	Tons	5396.3	5680.3	3291.1	2929.1	3075.5

Cotton production in Malawi from 1996 to 2000 (8)

The textiles sector used to be dominated by a parastatal owned company, David Whitehead, the largest domestic consumer of raw cotton which has been out of operation for some time now following a process of privatisation and the subsequent sale of state assets. As currently Malawi has no textile capacity this has left the garment industry increasingly vulnerable in the future to trade provisions that have rules of origin relating to the sourcing of materials, despite having the potential for fairly large scale cotton farming operations.

As world prices of cotton have dropped farmers have tended to opt for higher value cash crops creating an undersupply of raw materials, as reflected in the reduction of cotton seed production. This trend is aggravated by a drop in local demand for fabric as a result of cheaper Asian imports and the impact of second hand clothes on production of garments for the domestic market as well as the closure of David Whitehead. (27) The development of cotton in Malawi is seen as a top priority, to diversify export and to take advantage of AGOA after the special rule has been lifted. Malawi is failing to take advantage of adding value along the supply chain by its incapacity to process cotton lint it exports.

It is the opinion of a number of the companies interviewed during the research process that in many respects Malawi has already missed the boat in terms of developing the export sector as a major engine of economic development. (3) Many investors have opted to go elsewhere due to a number of non tariff barriers such as state inefficiency, lack of industrial development (e.g. factory shells to let) and most importantly high transport costs and inefficiency of transport leading to long and unreliable transport times. This is evidenced by the fact that there has been no foreign direct investment to take advantage of AGOA as in other countries in the region. The garment producing companies that do exist in Malawi were started before AGOA came into force, and were directed at

Value of textile exports by country of destination 1996 - 2000 (US$) (8)

Years	RSA	Other SADC	EU
1996	26 636 156	8 569 919	4 957 646
1997	41 373 671	6 922 551	1 636 534
1998	30 215 369	1 219 062	3 491 747
1999	27 839 115	1 020 037	5 874 299
2000	18 757 846	1 262 554	4 914 748

the domestic market and/or to take advantage of the bilateral trade agreement that exists between South Africa and Malawi.
Over 60% of Malawi's textile exports between 1996 and 1999 went to South Africa, making South Africa the major destination of Malawi textile exports. In 2000 it accounted for 78%, followed by the European Union EU (19%) and other SADC countries (2%).(8)

Size of the sector

Textile and clothing production, accounted for 34% of the total manufacturing activity in 2000 , ranked just after food and beverage processing, paper, printing and publishing products The figure of 34% will have dropped considerably due to the closure of David Whitehead as no new investment in the form of new garment or textile factories has occurred in the last few years.

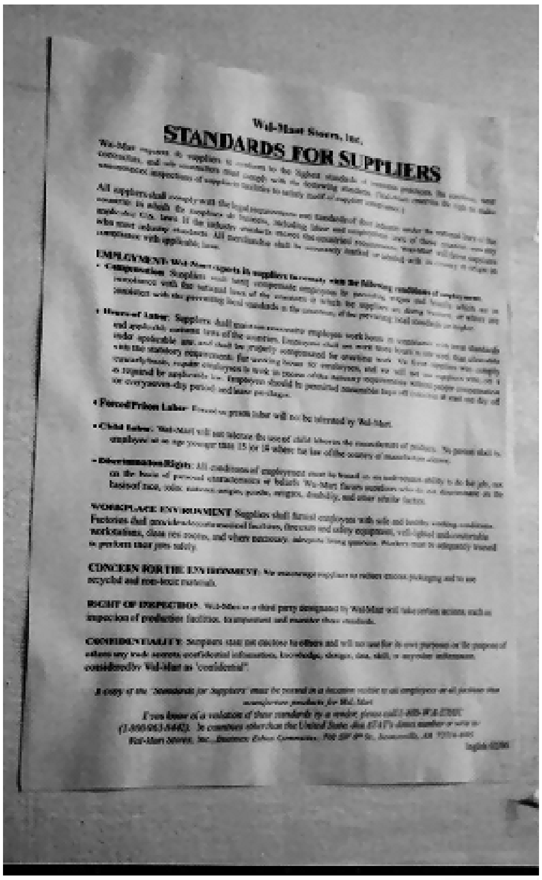
In 2000 manufacturing accounted for 12% of Gross Domestic Product (GDP) in Malawi. Textile exports however represent the largest share of the non-traditional exports. The entire textile industry employed close to 29,000 persons during the peak season at the time of the 2000 supply survey of textiles and clothing in Malawi. (8) This figure was probably overestimated or it has dropped substantially since then as the simple addition of those employed in the factories interviewed in combination with other stakeholder information places industry employment at no more than 10 000 and this estimation leaves a generous margin of error for small factories that fell outside of the survey. Of these 10 000 workers, 3 companies employ approximately 7000 people.

Growth in export earnings from the textiles sector has fluctuated as a result of changing trade dispensations and shift in production in the region. Exports to South Africa slowed in the late 90's but have recovered over the following two years. It is likely that these figures will reflect a drop by the end of 2003 but will largely be compensated for by a rise in US exports as existing factories shift focus towards the US in the hope that they can reach full capacity usage accessing a larger market.

This is out of line with total export earnings, which have been recording a steady growth of 17% and 19% between 1996 and 2000, with an out of ordinary 89% in 1998 a year of agricultural production surplus in Malawi. (8) Many of the factories that were visited are not running at capacity suggesting that there is still scope for expansion within existing companies and that Malawi is not the most attractive of destinations for buyers.

The textile and clothing industry in Malawi is one of the strategic industries dating back to the late seventies when it started as an import substitution industry but eventually contributed significantly to the export sector. However the industry is going through difficult times. At its prime, the industry had 25 companies but now there are only eight substantially active exporters of textile and clothing. The rest have either scaled down production or closed down completely.

Indicator	Unit	1996	1997	1998	1999	2000
Non-traditional exports	Million $US	69.5	73.6	63.2	56.1	53.4
Exports of textile Products	Million $US	39.2	50.3	34.9	35.9	26.7
Textile share of non-traditional exports	Percent	56	68	55	64	50
Textile export growth	Percent	11	29	-22	3	-5
Total exports growth	Percent	17	13	87	19	17



According to the management of the factories interviewed, Malawi has lost the opportunity to benefit from trade agreements like AGOA and the EU-ACP agreement. The general manager of one of the factories remarks that Lesotho is a very good example of a country where the government has applied effective strategies to attract foreign investors. The country is doing very well and is attracting many investors from Asia by offering them export opportunities to the US under AGOA. Lesotho was, according to another manager, behind Malawi in the development of its garment industry in 1994/95. Malawi seems to have missed the boat, with only few buyers coming in and no added employment created. This does not mean that Malawi's garment industry is not profiting from AGOA, but only to the extent that the employment is stable for the time being with an employment of about 10000 . When the extra rule for garments will be lifted and Malawi has to source raw material elsewhere the industry will probably be decimated, is the popular opinion. (18)

Malawi seems to be getting the overspill from Lesotho and Swaziland at the moment. Buyers looking to use the opportunities created under AGOA, will first look to other countries but as capacity problems arise during expansion buyers will temporarily divert production to Malawi.

What is remarkable in the Malawi context is the perception by most of the interviewed employers that not much can be done about supporting Malawi's garment industry. "We will just go ahead" says the general manager of one of the larger factories in Malawi, adding that he had no trust in the government's ability to adequately address the situation and provide support. A simple example of issues not taken on is that there is only one person that can give the authorisation to export under AGOA regulations resulting in factories sending transport to collect him so that the paperwork can be completed.

Exports in US$	**2003YTD**	**2002**	**2001**	**2000**
Malawi textile and textile articles exports to South Africa	10 593428*	33 006746	23 871600	18 971686
Malawi textile and textile articles exports to US	11 025 000	11 432000	12 385000	7 326000
Lesotho textile and textile articles exports to US	161 299000	321 049000	216 776000	140 060000
Swaziland textile and textile articles exports to US	96 793000	89 088000	48 091000	31 898000
South African textile and textile articles exports to US	213 376000	214 957000	212 457000	175 579000
Source: www.agoa.info.com and South African DTI. Calculations reflect changes in exchange rate. Data also shows that exports in this sector make up only 2% of South Africa's imports in the sector in 2002. *Estimate				

Malawi Textile and Textile Articles exports to US and South Africa (Country Comparisons) (10)

National Action Group (NAG)

A national action group has been set up to drive the process of simplifying trade as well as gaining greater support for industries from the National government
There have been a few meetings of the NAG, which has created some pressure. Participants in the National Action Group are representatives of the private sector (companies and chamber of commerce as well as other stakeholders from tea and coffee plantations), IMF/World Bank, EU representatives. The group can't move too hard, as there are complex relationships involved.

AGOA
Since the passage of AGOA, Malawi has unfortunately not benefited as substantially from trade and foreign investment as some of the other Southern African countries. Distance to the market, poor infrastructure/transport, and political instability have all significantly reduced the country's ability to attract much needed investment. Malawi is heavily dependent on agriculture both for subsistence and export. While Malawi does export clothing to the US under AGOA, the bulk of its exports are agricultural and these products were already quota and duty free un-

der the GSP. Since October 2002, Malawi has exported over $25 million in AGOA eligible tobacco products to the US. GSP exports to the United States have plummeted in 2002 with a decrease of over 97% due in part to poor rains and general food shortages. Nuts – Cashew, Macadamia, and Peanuts - have historically been a sizable export to the United States. Both GSP and AGOA GSP offer benefits under this category especially for mixed nuts. (25)

The manufacturers in Malawi strongly believe that the extra rule in AGOA will be extended beyond September 2004. The United States Embassy in Lilongwe has said proposals from some stakeholders in Malawi that the US government extend the 2004 deadline will not be easily advanced because it involves change of legislation. Second secretary for commercial and economic affairs Marc Dillard said in an interview that the US Congress can change the provision in the African Growth and Opportunity Act. "It's possible [to change the deadline] but it will not be that simple," said Dillard. He said, however, although high interest rates and other economic factors have hindered Malawi from accessing full benefits of AGOA, the country was not doing "very badly" since there was some visible progress registered by the country since it was allowed to start accessing the US market under the act. Dillard, quoting local industry and government statistics, said since 2000 when news of AGOA broke to the local industry, the country's textile and clothing exports into the United States market had gone up from US$4.2 million in August 2000 to US$14 million in by August 2002.(11)

Dillard also said since 2000, 6000 new jobs have been created in the Malawi textile and clothing industry. He said with an improved economy and determination from both government and the private sector, Malawi still had enough time to attract investment and create a cotton and fabric producing industry that can enable it to not only produce it's own raw materials but to also to export fabric to other AGOA countries. He said the plant and expertise at the struggling David Whitehead should be used as the starting point in moving the country ahead of meeting the September 2004 AGOA deadline. "A revitalised David Whitehead can play a critical role. Apart from supplying fabric to the local market and other African countries, it can also become the missing link between cotton growers and the industry," he said. Dillard said recent forecast estimated demand for textile and apparel from Africa in the United States to increase 10 times, giving Malawi and other AGOA eligible country unlimited opportunity to access a multi-million dollar preferential export market. This sentiment is not shared by the garment manufacturers that were interviewed, in their opinion fabric produced by David Whitehead was on inferior quality and could not be used in export garment production.

The chairman of the Garment and Textile manufacturers association felt that local textile capacity was critical

but had a slightly more reserved view on the potential impact of AGOA. "There is zero investment in Malawi through AGOA. I could even compete with China when I have some good ground level" (12) He reports that the government is not providing the necessary environment, to make the country interesting for investors and the infrastructure is bad. The extra rule is worrying for Malawi, as most of the fabrics are imported from the Far East, and the region will not be able to satisfy the whole garment industry, also not in variety and quality. There is no upstream investment. For Malawi it is very important that AGOA III. Becomes a reality

Malawi was declared eligible for AGOA on August 15, 2001. According to the 2003 AGOA report to the Congress, Malawi's exports under AGOA were valued at $47 million in 2002, representing 69 percent of its total exports to the United States. The total work force engaged in AGOA-related activities, based on a U.S. Embassy survey of producers, has reached over 6,500, over 2,500 jobs were created in 2002 alone. (13) This however is a misrepresentation of statistics as many of those now occupied in AGOA related production were in fact already employed but involved in South Africa related production in the garment sector and these jobs do not relate to the garment sector alone.

Gregory Simpkins, Vice President Foundation for Democracy in Africa, speaking at the AGOA forum for

civil society claimed AGOA has encouraged foreign investment in two garment factories in Malawi, raising the total number of employees in the garment industry to 20,000. (14) This assertion, however, is not supported by data gathered in this study, which tends to indicate that employment has remained static at around 10 000 with the origin of trade related employment shifting from South African related exports to the US.

This is reflected in interviews with the management of the largest companies in Malawi, where there appears to be a negative view of AGOA and the opportunities for gain created by the trade agreement for Malawi. The government has not facilitated any improvements in infrastructure and utilities and the very high interest rate makes it difficult for locals to access capital for investment in the sector. Local investment is almost impossible as the interest rates are as high as 45% per month. (15) For this reason several companies are looking for a joint venture to get in investments and buyer contacts although this has not been successful as Malawi "is a no go area" according to chairman of the garment manufacturers association. (12)

One of the concerns with this growing dependency on the US market is that were AGOAIII not to extend the LDC provisions for sourcing materials externally or when AGOA comes to an end these factories would, regardless of the quota capping being imposed on imports to South Africa, have lost market share in the Southern African market and would be likely to close.

WTO

More generally the chairperson of the garment an textile employers association felt that Malawi needed to fight the subsidies on Cotton at the next WTO meeting. "When they do not come with an agreement on these subsidies then AGOA, ACP is all a lie. The agenda towards the WTO meeting will be the exchange rates, subsidies and dumping. Textiles and garments are a major point in this, the whole chain from the cotton onwards." (12)

Initiatives in Malawi around AGOA

The Malawi Export Promoting Council (MEPC) is a little more upbeat about the prospects of AGOA and regards AGOA as its lifeline. A special presidential taskforce was put into place to ensure that AGOA opportunities could be used. Out of all the products textile and garments seemed to take the most attention of those that were chosen. The advice of the MEPC has been to conduct a market survey in the US market and send a trade mission, including the large manufacturers, to the US. Another initiative put forward was to do a supply status on cotton and make recommendations for developments in this sector. Funding has not been made available so this has failed to materialise despite the critical role textile use of this cotton at a domestic level could stimulate the industry. "We are looking at Mauritius and want to develop Malawi in the same way", says one of the managers of MEPC. "We are still optimistic, we think we can still use this window of opportunities". This same sentiment is not shared by the existing investors in the sector. (16)

Comparative Performance

The export of textile and garment products to the US reached the value of 12,385,00 in 2001 (4,799,000 under AGOA) and 11,432,000 US$ in 2002 (11,405,000 under AGOA). The figures for 2003 YTD were 11,025,000. These figures are in line with the data collected from the garment producing companies in Malawi, which have mostly been producing for the South Africa market but have in the last 2 years, been seizing the opportunities created through AGOA, and are turning the largest part of their production towards the US. (10)

Malawi has not been advancing its opportunities of export to the US to the same extent as other AGOA approved countries. Lesotho, for example, has increased its exports of garments from a value of 140 million US$ in 2000 to over 300 million US$ in 2002 (almost all under AGOA advantages). Kenya went from 44 to 126 million US$ and Swaziland from 32 to 89 million US$. Malawi went from 7,33 million US$ to 11,42 million US$. (10)

Malawi has finally accepted textile quotas imposed on duty-free exports to so-called SACU members, including South Africa. Following a surge in clothing imports from Malawi and alleged illegal transshipments, Pretoria denounced the bilateral free trade agreement concluded with Blantyre in 1994. By definitively ratifying SADC's trade protocol, Malawi accepts quantitative limits on duty-free exports of textile and clothing products to SACU members, South Africa, Lesotho, Swaziland and Botswana.

Investment Opportunities

The Malawi Investment Promotion Agency (MIPA) claims that investment opportunities include the easy access to a large, trainable, English speaking labour force, the labour availability cost, the competitive wage rates and the existence of a university.

The MIPA cites as its comparative advantage the wages which are the lowest in SADC, the investment incentives which are comparative with other countries among which is the tax holiday of 10 years, and the cotton that is available in the country.

Malawi has a competitive corporate tax rate of 30 per cent and low import duties. In addition, Malawi offers an array of incentives, as follows:-

- 40 per cent investment allowance on qualifying expenditures for new buildings and machinery
- up to 20 per cent investment allowance on qualifying expenditures for used buildings and machinery
- allowance for manufacturing companies to deduct all operating expenses incurred up to 24 months prior to the start of operation
- duty free importation of heavy goods vehicles with capacity of at least ten tonnes
- no withholding tax on dividends
- an additional 50 per cent allowance on qualifying training costs
- indefinite loss carry forward to enable companies to take full advantage of their tax allowance
- duty free importation of raw materials in the manufacturing industry

Below are some of the fiscal incentives:

- No licensing requirements for importing foreign exchange
- Full repatriation of profits, dividends investment capital and interest principal payments for international loans
- Local and foreign investors have un restricted access to local financing facilities
- Interests are market based and there are no government controls on credit
- The government encourages the development of securities markets, under the Capital Market Development Act.
- There are no restrictions on issues of securities to the public and no restrictions on private placement of securities to non residents, although this should be registered with the Reserve Bank of Malawi

An important aspect of the Investment Promotion Act was the establishment of the procedures for setting up Export Processing Zones (EPZ) in 1995. EPZ programme gives special incentives to investors involved in manufacturing for export. This programme boasts of successful operations in labour intensive industries such as in the apparel industry:

- Zero per cent corporate tax
- No withholding tax on dividends
- No duty on capital equipment and raw materials
- No excise taxes on locally produced raw materials and packaging materials
- no surtaxes

Incentives for Industrial Manufacturing in bond:

- An Allowance of 12 per cent of export revenues for non-traditional exports (i.e. exports other than tobacco, tea, sugar and coffee)
- A transport tax allowance of 25 per cent for all international transport costs of firms manufacturing under bond
- No duties on imports of capital equipment for the manufacture of exports for firms manufacturing under bond
- No duties and surtaxes on raw materials
- No excise tax on locally produced raw materials as well as packaging materials (17)

Still, these investment opportunities are affected many constraints as one of the managers of a Taiwanese owned factory outlines: “if we were not already in Malawi we would not have come here now because of AGOA. We would have much rather opted for Lesotho or Swaziland or even Kenya. Malawi is a landlocked country so transportation costs to the port for shipment is high, there is no textile produced in Malawi, and there is no infrastructure”.

Benefits for Malawi of the garment sector

Most garment factories are located in EPZs and qualify for tax breaks. Wages that are paid to workers are also not taxed as they are mostly below the taxable minimum of 3000MK. There is however, foreign currency generated from the exported goods and the garment sector provides much needed employment.

Contribution of the textile industry to the economy (8)

As has been stated before, the garment industry is comprised of three reasonably large companies, with more than 1000 workers, and medium and small sized companies. Factories are divided between foreign and domestic ownership, with two of the larger factories being of foreign ownership. Most of the companies take advantage of the Malawi EPZ dispensation that came into effect in 1995. Not all factories are however export focused with some smaller domestically owned factories focussing on supplying corporate and/or government supply of uniforms. In addition to these formal-sector companies, there are many informal clothing garments manufacturing enterprises scattered throughout the country. Most of them are cottage enterprises of self-employed people producing dresses, blouses, school uniform, shirts, trousers and many others garments for women and children. The informal clothing manufacturing sector provides employment to around 30, 000 people country-wide. (26)

Second hand clothing

Since economic liberalisation in Malawi there has been a flood of second hand clothing rushing into the country. In the informal sector second hand clothes stalls abound and one does not need to walk far in Blantyre to see evidence of this. Second hand clothes sellers normally store their goods in containers dotted around the city which costs a small amount every evening. In this way an informal retail sector has sprung up and is used by the majority of Malawians. (9) Most managers interviewed during the research reported that due to the wholesale importation of second hand clothes it has become futile to produce for the local consumer market unless on some specific order from a corporate concern or the government. The clothes are a lot cheaper for consumers and given the low incomes earned in Malawi it is to be expected that consumers would prefer this supply. Whilst much of this clothing originates from charities providing aid it is most certainly a business of profit with sellers of informal clothing at street markets often earning double that of a garment worker. This has all but removed the section of producers catering for the local consumer market. and a number of smaller manufacturing companies have closed down as a result. It is unlikely that the importation of second hand clothes will stop in the near future and as a consequence this segment of production has been lost to the industry. As a consequence of this regardless of the intentions of various trade dispensations, preferential market access deals is the only lifeline of the industry which has become predominantly export focused.

Exporting

All companies that are involved in exports report that the biggest barriers they face are transport and customs. Transport is very expensive with an average 40 ft container costing between $2000-$4000 to transport between the most common port of entry, Durban (South Africa) and Malawi. Given the distances travelled, problems at border posts, breakdowns and bad roads, factories are often confronted with irregular delivery of imported materials and irregular transport times for the export of their product. (15) (28)

Most factories source materials from the East, more particularly from China, India, Pakistan and Taiwan. In one case materials are sourced from South Africa, to supply a South African company. Domestically owned factories tend to still balance their focus between South Africa and the US due to the better chances of survival with a diverse base of clients to supply. Foreign owned companies are far less concerned about this and rather take the view that should provisions of AGOA no longer beneficiate production in Malawi the factory can move elsewhere.

There have been problems experienced with the changes in country of destination, in that American buyers tend to insist on tighter turn around times for orders than the South Africans, and large

American buyers are increasingly concerned about working conditions because of consumer campaigns. This is a concern not held by the South Africans where no such campaigns are in existence. The tighter turn around times have potentially severe implications where late supply often will have to be air freighted at costs of hundreds of thousands of dollars as opposed to surface transfer which most US suppliers interviewed reported to be roughly the same cost as land transfer from Malawi to Durban (approximately $4000 for a 40 ft container). Indeed one factory related just such a problem that occurred costing $300 000 in additional air transport costs. This company has run at a loss since shifting most of its export focus to the US for these types of reasons. (15)(28)

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Transport to and from Malawi takes time and is not reliable creating a very unstable production environment which greatly increases the risk of incurring late delivery penalties. Buyers only demand compliance with domestic legislation and as the legal minimum wage in Malawi is already very low at 50MK per day (0.5 US$ for 9 hours of work) this does not represent any impediment to producers. (19) It is common practice for workers to work extended hours often for weeks on end to make a the delivery dates imposed by buyers and most of this overtime is uncompensated, to ensure the factory maintains it's profit margins. This is contrary to the same buyers codes of conduct.

Buyers

Production for South Africa is largely for three large chain stores that are generally marketed as low to medium cost outlets. These are Mr. Price, Pep and Ackermans. (15) A number of factories reported having long standing relationships with Mr Price. Taiwanese owned factories in Lesotho where severe labour abuses have been documented are also known suppliers of Mr Price. Whilst South Africa has initiated a 'Proudly South African' Campaign to encourage the purchase of domestically manufactured goods this has had limited impacts on the origin of clothing imports. The quota system capping imports to South Africa from Malawi has had a far more important impact on production in Malawi.

The production for the United States is sold through agents to large companies like Sears, Dressbarn, Wal-Mart, Family Dollar, Steve & Barry's university sportswear, Target, Haggar, JC Penney and TSI. Most of the companies from the United States have codes of conducts and, according to the employers in Malawi, most companies are sending monitors to assess the working environment in the factories. The workers have mostly not seen the Code of Conduct, and even in some factories were one or more can be found, the workers do not understand the meaning. All Codes of Conduct that can be found are in English, although the majority of the workers would have difficulties reading them. When one manager was asked why the Code of Conduct was hanging in his office rather than on the factory floor, he said that he was only provided with one copy.

All interviewed managers stated that the US buyers are very strict on the labour conditions; they inspect the factory and send a special agency which monitors labour conditions. "One of the objectives of AGOA is to improve working environments, I am strictly for that" says one of the managers of a factory trying to get orders from the US at the time of the interview. It appears that the demands made by the US buyers are at least effective on the direct environment in some of the factories. A factory producing for Family Dollar and looking for new clients, has already invested 500,000 $US in improvements in the factory. This includes more toilets, signs on the floor leading to the emergency exits etc. "We have to make the changes otherwise we can't get the business" according to the managing director. "Wal-Mart demanded, for example, 1 toilet per 20-25 workers, so we had to build them, we have 50 toilets now". They are also building a medical room. Different companies have different standards, and in one factory the manager jokingly refers to the different colours demanded by different buyers to mark the emergency exits arrows.

It is clear from the research conducted that the working conditions in the factories producing for US buyers are still horrendous and improvements are superfluous. For example, when visiting the before mentioned company, one of the changes being made that was pointed out was like the arrows on the floor that lead to indicated emergency exit, which were however locked. The manager of another factory says that changes are underway to meet the requirements of buyers like Wal-Mart, Target, TSI, Haggar, JC Penney and Sears, and claims that the auditors inquire about the labour law and about the wages. He says that the factory used to work 7 days a week, but the buyers require that workers have one day off a week "so the workers get Sunday off". He claims to be paying 50-60 US$ a month to the workers. Some workers from this factory were interviewed however and tell a different story. In this factory the workers say that they often work 7 days a week; they are not paid their overtime according to the law; when they make a production mistake they have to pay fines of twice the daily wage and they are earning between 13 to 15US$ per month.

At least two of the interviewed factories are considering building an extra factory for production directed to the US to accommodate the demands of the buyers. This would eventually lead to a situation where there are two standards of working conditions in the same company depending on whether the production is for the US or South Africa.

These issues indicate that while the codes of conducts are having some effect on working conditions, without commitment from buyers to enforce these codes and effective monitoring and verification

Items	Factory A
Ownership	Taiwanese
Production	The company produces T-shirts and jeans.
Exports	30% of the company's production is exported to South Africa and 70% to the US producing large orders of about 200-300,000 pieces. The orders, raw materials and clients are all arranged by the company in Taiwan so only production is done in Malawi.
Buyers	Production is for Wal-Mart, Target, TSI, Haggar, JC Penney and Sears in the US and Mr Price in South Africa.
Raw Materials	The fabric is sourced in Taiwan and China by the company in Taipei.
Prices and profitability	The factory has not made any profit since it started exporting to the US. The production target is constantly not met and buyers are very strict on the delivery times. When production is delayed buyers demand orders to be sent by airfreight, which can cost 300 000 US$ per container. The company in Taiwan wants this factory to focus on one or two items now, not change the style too much, focussing on basic jeans and T-shirts, so the workers will be able to make the production deadline.
Employment	2500 workers
Buyer control	The buyers sends quality controllers to the factory. Some of them stay one or two months in the factory. The buyers send people before they order, and during the production. They also send others to look at the labour conditions, they look at the environment in the factory, at the human rights.
Capacity	No information

Factory B	Factory C
Taiwanese	South African
Jeans, Trousers, Long and short sleeve shirts, Short trousers. There is a 50/50 split between woven and Knitwear	Sport wear Work wear More recently trousers and shirts
Exports are split between South Africa and America at an approximate ratio of 50/50. It is likely that production will increasingly be allocated to AGOA related exports.	Currently 52% of production goes to the US Market which has increased from only 5% 18 months ago
The mother company sources leads and buyers as well as materials this is not done from the factory at all. At the start of access to the US market the factory produced for a buyer Lastrada and Hidery that import for, amongst others, Wal-Mart and JC Penny. The factory supplies Wal-Mart, JC Penny. The factory also supplies South African buyer Mr Price since 1995	The company reports dealing with Ridge Snyder of New York. They also produce sportswear for Europe and have a large order from Chef Works in the US that supply chef uniforms to major hotels in the US.
Sourced mostly from China and then Taiwan and Pakistan. The interviewee felt that it was impossible to source quality textiles in the region.	Fabrics for SA garments come from Da Gamma textiles in South Africa. Other fabrics come from the East.
This is centrally controlled but the factory has taken precautions against late penalties by keeping large stores, having its own electricity generator due to frequent power cuts and its own water reservoir.	No information.
2800-3000 workers	500 workers
Quality control is normally done by the buyers themselves who station someone in the factory . JC Penny did this for the duration of the order. The factory seems to like this arrangement as this way they feel there can be no costly comebacks relating to quality. There have been some inspections of the factory with regards to conditions of labour and workers are interviewed. These audits are conducted by the buyers themselves or auditing companies.	Buyers have inspected the factory and changes are to be made. No on sight quality control as yet.
about 8 million pieces / annum	The factory currently produces about 120 000 units a month. 52% goes to the US. About 4000 pieces of sport apparel goes to Europe and the rest to South Africa. There are 420 machines and the factory is currently operating at 62% efficiency. With new work coming in this will rise to 80% in the near future.

	FACTORY D	FACTORY E
Ownership	Malawian	Malawian
Production	The company is producing jeans and shirts	The factory specialises in making Polo shirts, but can produce all other items and has diversified, towards textile and dying and also in product range to include dresses, T-shirts, sweaters.
Exports	40% of the production goes to South Africa, 60% to the US in 2003. The company was exporting 100% of its production to South Africa until 2002 but this has changed to take advantage from AGOA.	50-60% of production goes to South Africa at the moment with the rest going to the US. At the end of 2003 the production towards the US should be around 50-60%, aiming towards 80% next year.
Buyers	The export to the US is not directly done through the large retailers but goes through agents. The buyers in South Africa are Pep, Ackermans and Mr. Price. In the US the company is producing for Family Dollar.	The largest buyers in South Africa are Pep stores, Mr Price and Ackermans. Generally US buyers are more difficult to supply to.
Raw Materials	No information	India and the East
Prices and profitability	The requirements from US customers are hard on the delivery dates and the prices. The orders have a 6 months cycle: 1.5 months for the fabric to be made, 1.5 months for the fabric to arrive in Malawi, 1.5 months for production, 1.5 months for transport from Malawi to New York. When the factory misses the date the orders are to be send to the US, the buyers will cancel the orders or will ask for the production to be send by airfreight.	Prices and profits fluctuate to suit the order. The company uses diversity to attempt to maintain profitability
Employment	1500 workers	300 workers
Buyer Control	Wal-Mart will not buy from the factory unless there is factory compliance with Wal-Marts regulations for working conditions. The factory has not been approved yet, as they are in the process of making changes.	
Capacity	The capacity is about 5000 shirts or jeans per day	They have a capacity of 200 000 to 240000 items per month.

FACTORY F	Factory G
Malawian	Malawian
Police and army uniforms	The company prefers to produce simple garments at a low profit rate
None	85% of production is South African exports and 10 to 15% of export production goes to the US.
Local wholesalers, army and police.	This factory supplies in the US Steve R Berry, Cherry Sticks and wholesalers that put their own labels on the garments. In South Africa they supply PEP and Mr Price.
Mostly from Dubai, its difficult to source textiles locally.	Raw materials are sourced from China, Pakistan and India. Local and Southern African textiles are considered inferior.
Only supplying domestic market. Prices are going up though and buyers want to pay over 30-90 days which with current inflation rates undermines profits substantially. Profitability is estimated to be 20%.	The ending of the MFA and its associated orders would not be so bad if pressure is brought on the Chinese government to stop subsidies. China, works between 2-5 % profit which if all other things being more or less equal this factory could compete with. "I could produce cheaper than China with no problems."
35-40 workers	350 workers
None	The US buyers are said to be tougher on labour standards, but this does not seem to be an issue for South African buyers at all, and the factory has signed a code of conduct with American buyers. The buyers are not consistent for while they insist on certain standards in African factories to his mind they did not do the same in India.
The factory is currently running at 25% of capacity.	No information

Whilst the traditional means of protecting workers rights in the form of labour law and trade unions exist in Malawi their effectiveness is brought into question by the stark reality of workers who earn very low wages and are treated without respect. They are verbally and physically abused and in some instances called monkeys and beaten by supervisors. These workers work their normal working weeks of 48 hours, and then often have to meet their targets in their own time frequently work long hours with overtime mostly being compulsory and often not paid correctly or at all. They are penalised heavily for making mistakes, fined for reporting to work 5 minutes late and are dismissed unfairly without much interference from unions, labour inspectors or others. The unions are weak and have weak negotiating power.

Labour Law

Labour law in Malawi is fairly comparative with other Southern African countries, with, a guarantee of trade union rights, an industrial tribunal system to adjudicate disputes. Protections exist against unfair dismissals and minimum conditions of employment relating to hours, time off, wages etc are defined. Health and safety is guaranteed in separate legislation.

The maximum legal workweek is 48 hours, with a mandatory weekly 24-hour rest period. The laws require payment for overtime work and prohibits compulsory overtime as well as establishing a ceiling for maximum overtime. The law includes extensive occupational health and safety standards, including the use of safety equipment. Workers that are dismissed for filing complaints about workplace conditions have the right to file a complaint at the labour office or sue the employer for wrongful dismissal. Workers have the right to remove themselves from dangerous work situations without jeopardy to continued employment; however, given the low level of education of most workers and the high level of unemployment, they were unlikely to exercise these rights.

The Labour Ministry is tasked with enforcing minimum standards, but is poorly equipped and does not carry much confidence with workers. The local labour office in Blantyre is without electricity and workers wait in line to speak to an inspector. There are five staff in the office including the inspectors but only one car. Inspectors are tasked with inspection of factories for both labour standards as well as health and safety, normally seen as separate functions elsewhere. They also deal with workman's compensation, industrial disputes and individual grievances often relating to dismissal. This is by any labour departments standards a very heavy workload. The workload is such that very little attention can be given to any one matter and relatively few inspections can be done

The process of dealing with a dismissal was described in an interview with a Blantyre Labour Inspector, A worker will come into the labour office and file a complaint. (20) The labour inspector will listen to the merits of the case and, should the matter warrant it in his or her opinion, write to the employer inviting the employer to respond to allegations. The inspector decides on the strength of the response whether to refer the matter on to the Industrial Relation Court.

Whilst an employee has the right to approach the industrial court in the first instance or at a later point having reported the matter to the Labour Department there are very few employees that know this and even if they did would not have the knowledge of how to approach the court and it is doubtful as to whether the employee would get a very helpful response. Given the low penetration rate of trade unions, another possible source of information an overworked labour inspector becomes a de facto gate keeper to industrial justice for most working people in Malawi. Many of the labour officers are not well paid some earning only 4000MK a month. (20) Some workers alleged in interviews that the inspectors were not considered trustworthy as they could be bribed by management.

Trade Unions

Workers have the legal right to form and join trade unions; however, union membership is very low. Formal statistics on union density is not available but it is unlikely that it exceeds 10%. Unions have only been legal for a decade and workers are mostly still unaware of their rights. Employers and government have in many instances resisted unions quite strongly which has also contributed to slow development of these organisations. A more serious problem confronting this form of organisation driving the development of worker rights is the small industrial base with many small to micro employers which are traditionally very difficult to organise.

According to ICFTU 2002 Annual Survey stated that despite the law prohibiting victimisation for union association by employers and requires that employers reinstate workers dismissed because of

union activities. The same survey said companies in the export processing zones (EPZs) were also resistant to union activity and that unions said they have little access to workers in the zones. Enforcement of legislation protecting the freedom of association by the Ministry of Labour was ineffective.

Unions must register with the Registrar of Trade Unions and Employers' Organizations in the Ministry of Labour and Vocational Training (MOLVT). There are currently 22 unions registered, although unions are known to operate without specific registration under the umbrella of federations. (21)

Unions may form or join federations and have the right to affiliate with and participate in international workers' organizations, with the permission of the Government. There were no restrictions on the number of union federations. There were two federations in the country: The Malawi Congress of Trade Unions (MCTU), with 19 affiliates; and the Congress of Malawi Trade Unions (COMATU), with 3 affiliates. (21)

Unions have the right to organise and bargain collectively. The law requires that at least 20% of employees (excluding senior managerial staff) belong to a union before such a union can engage in collective bargaining at the enterprise level. The law requires at least 20% union membership for collective bargaining at the sector level. The law provides for the establishment of industrial councils in the absence of collective agreements for sector-level bargaining (Industrial council functions included wage negotiation, dispute resolution, and industry-specific labour policy development. There is no such council in the apparel sector as the union density is not 20%. The union has failed to get legal recognition from employers often because of active employer resistance.

The relative weakness of trade union organisation is reflected in the threshold of 20% representation in order to be recognised by an employer established by the Industrial Relations Act. It would seem that the drafters of the legislation intended the law to be used as an enabling device to develop organised labour capacity in order to engage in pluralist industrial relations. The intention is also seen in the low threshold for the establishment of an industrial council (20%). The legislation also attempts to develop centralised institutions to regulate industrial relations with a tripartite national structure and the possibility of bipartite self regulation through industrial councils at sectoral level.

The law allows members of a registered union to strike or go through a formal mediation process overseen by the MOLVT. A registered union must attempt to resolve the issue through mediation. A strike can only occur after all settlement procedures established in a collective agreement (an understanding, not necessarily signed, reached by both parties to attempt mediation) and conciliation efforts have failed. The law requires a notice in writing to the employer and the MOLVT at least 7 days before a strike. The law also forbids the temporary replacement of labour and allows peaceful picketing during strikes.

Whilst there is labour law, given the capacity problems related to enforcement and the general desperation for poor countries to attract investment the reality on the ground looks quite different. “The management does not believe in the law” says one worker from a factory producing for Mr. Price and Subway. (22) Most frequent violations relate to health and safety with a lack of safety equipment and the locking up of workers, overtime being compulsory and in many instances unpaid, unfair discipline and wage deductions for the levying of fines against employees. The legislated minimum wage is so low that workers hardly have enough t survive on let alone to progress. The combined inefficiencies of the Industrial Relations Court and the inability of the labour commission to police and enforce minimum standards paints a fairly common picture for a country attempting to attract foreign investment. Where the legislation itself satisfies the criteria of GSP, AGOA and SADC trade agreements but there is so much flexibility and gate keeping that the legislation has little practical impact on workers lives, and more importantly, on the investors pocket. Malawi does for example have a legislated minimum wage but it is so low, 50 US Cents a day as to make it of little development significance.

	By Law	Generalised Findings*
Pay	Minimum pay legislation sets the minimum wage at 50 MK/day (0.50US$). S54 EA S54 (4) states that minimum wages must be reviewed by the Minister at least every three years. The law also makes provision for a housing allowance and food or money in lieu of food. Pay should be recorded with a payslip. Payment of remuneration on termination must be within 7 days S53 EA The penalty for paying below the minimum wage is 500US$ fine and up to 10 years imprisonment	Employers tend to pay at the minimum which is very low after no inflation adjustments for 5 years in a period of high inflation. To pay any less would mean insufficient opportunity cost to attract labour. Real wages are 3 times lower than they were in 1998. Meals are sometimes just a bun. Where fines are levied earnings fall below the minimum. Few companies provide proper payslips or keep the appropriate records of pay.
Hours of work	48 hours/week before overtime except security guards An employee can not work for more than 6 days without a 34 hour brake. A shift worker may not work for more than 8 hours. S36 EA	In most factories it is common for workers to work for between 50 and 60 hours before attracting overtime pay Where there are orders to fill all workers spoken to reported working continuously for more than 7 days without any breaks sometimes including back to back shifts
Overtime	Maximum daily hours 5 day week = 12 hours 6 day week = 8 hours S37 EA Overtime pay 1.5 x normal overtime and 2x for day off. S39 EA Forced labour is specifically banned at S4 of the EA with a penalty of 100US$ and up to two years imprisonment	Daily maximums are routinely violated. Most workers work 9 hours for at least 6 days a week and it is very common for workers to work for more than 12 hours. Many workers report working 9 hours and after a 2 hour break going back to work and then working for another shift Many target systems violate this in that targets must be met regardless of the time taken meaning uncompensated compulsory overtime. There are also reports of overnight lock ins.
Health and safety	Provision is made for safe working conditions including safety equipment	Safety equipment was absent and emergency exits were locked in most factories visited .
Workers Compensation	Act 7 of 2000 makes provision for medical cover and compensation for accidents and diseases	There were no medical facilities in factories visited. Workers complain of lung diseases from dust but claim that compensation is never paid for diseases. Rather if you are too sick to work you are dismissed
Contracts	It is compulsory to provide an employee with a written confirmation of particulars of employment , including hours, pay, the commencement of the contract, disciplinary rules etc S27 EA	Hardly any of the workers interviewed had ever seen a contact or confirmation of contract

	By Law	Generalised Findings*
Holidays	5 day week = 15 working days paid leave 6 day week = 18 working days paid leave S45 EA	Very few companies had paid leave at all. Normally there is unpaid time off during an annual shut down
Sick leave	4 weeks on full pay and 8 weeks on half pay per annum if a certificate produced S46 EA For females 8 weeks maternity leave on full pay every three years S47 EA Violation of S47 is a 200US$ fine and up to 5 years imprisonment.	Workers produce certificates to avoid dismissal. Most workers inform of a no work no pay rule. Given the extent of arbitrary dismissals it is hard to imagine an employee exercising this right. Most employers avoid employing women, but reports stated that women are not paid maternity leave and will often not regain their jobs if they are pregnant. One of the reasons for low employment of women may relate to the sanction for a violation of S47 which is 200US$ fine and up to 5 years imprisonment.
Trade union rights	Workers have the right to form and join trade unions as well as participate in collective bargaining with freedom from victimisation LRA	Workers are routinely dismissed for any opposition to employer practice or policy. Where such actions have involved a trade union similar results have ensued. Union officials are not allowed on company premises and union membership is opposed by employers
Fines	It is illegal to levy fines or deduct payments from employees without their permission S52 EA	Fines and deductions are routinely imposed for late coming or mistakes in sewing a garment
Discipline	Has to be for a valid and fair reason which excludes absence when sick, exercising a right, trade union association, arbitrary discriminatory grounds. Discipline must be appropriate and in keeping with an offence where it can be proved one has taken place. An employee must be given the opportunity to defend against disciplinary action. S57 – S60EA There are provisions for minimum compensation in the event of an unfair dismissal S63 EA	Workers report routine arbitrary dismissals where no opportunity to defend the case is given. The natural remedy for unfair dismissal is reinstatement and the court has the power to award this at S63 (1) a. It is uncommon for this to be done.

*The generalised findings are drawn from workers reports from factories that employ the largest portion of people in the industry to develop an impression of the majority experience of the effectively of industrial justice.

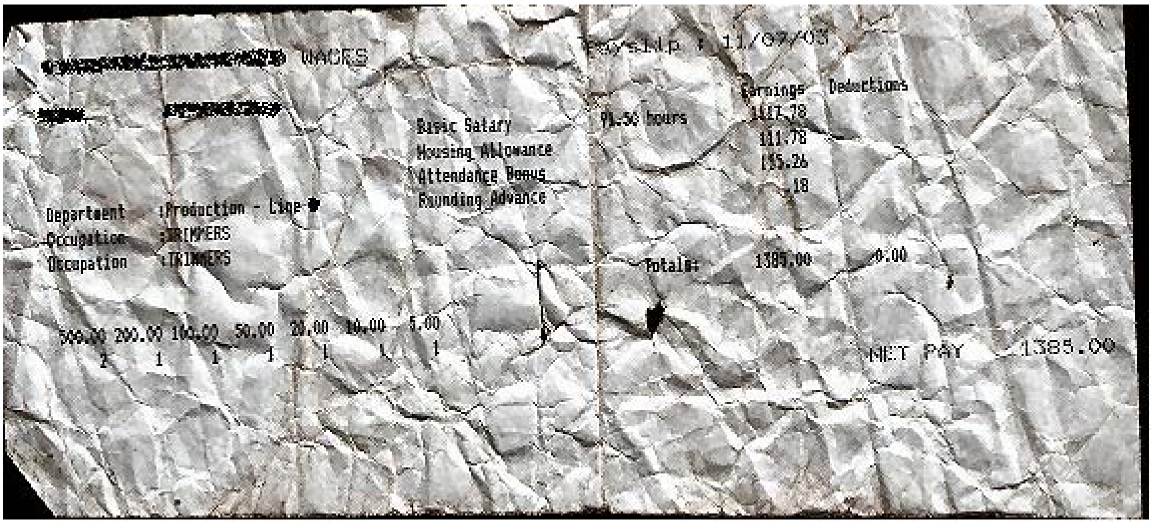
EA: Employment Act
LRA: Labour Relations Act

Wages and benefits

The real GDP has risen from its 1994 base, of 11,816 million MK at market prices to 15,114 million MK. However, the real minimum wages have not been raised nor inflation corrected since 1998, and are now amongst the lowest in the world.

The inflation rate in Malawi has been high, fluctuating between 9.2% and 83.3% since 1995. The nominal minimum wage, by legislation in April 2003, is 50MK per day which is the same as was first legislated in 1998. Meaning, effectively, that the real legislated minimum wage was 19,56 MK in August 2003. This means that the purchasing power of workers earning minimum wage has diminished over 300% in the last five years. Employers still pay the minimum wage or marginally above it. Some factories have been adjusting wages for inflation by 8% in the last few years, but even if this has been executed constantly by the factories since 1998, the wages would have been only 147% of the original wage in 1998, nowhere close to the 300% inflation rate for this period. This leads to whole families of workers in the garment industry living on less than half a dollar a day, in ultra-poverty. Most workers earn between 8US$ and 12US$ a fortnight for normal working hours, with part of these wages being housing allowance, as dictated by law, and part attendance bonus. The housing allowance allocated by all the factories is below the real cost of basic housing in Blantyre and Lilongwe. It is common practise at most factories to deduct the attendance bonus, which can be a substantial part of the wages sometimes up to 30%, as a penalty for being 5 minutes late once in that period. Some of the workers are not paid the legal rate for overtime, or are not paid at all for this work if it is done to meet their targets. In most factories there is a production bonus, often per line, which is not very substantial in most factories, and in some can never be reached. In some factories the workers are provided with meals or meal allowances, but often the food is perceived as not sufficient (one or two buns with nothing else) and not nutritious. The salaries are so low that workers are not able to provide the basic needs for themselves and their families. They mostly live in small, one room houses with grass roofs, without electricity and water. The transport costs are from 15 US cents to 50 US cents for a one way trip and is not affordable to workers, therefore most workers will walk to work and home. Some workers reported leaving at 4 am in the morning to arrive at work at 7 am walking distances of 30 km and must make this journey again at the end of the day. Workers sometimes borrow money to meet their living expenses, which is problematic as they will have to pay this back with 50% interest. These conditions are consistently reported by workers that were interviewed.

According to the chairman of the Garment and Textile Manufacturers Association of Malawi, the employers who are members of this organisation should abide by a Code of Conduct that is agreed upon by all members. One of the issues that is stated is that the minimum wage should be 75 MK per day. This code does not seem to be implemented as interviews with workers certainly reveal much lower rates of pay.


[redacted] WAGES
Payslip : 11/07/03
[redacted] [redacted]

		Earnings	Deductions
Basic Salary	91.50 hours	1117.78	
Housing Allowance		111.78	
Attendance Bonus		155.26	
Rounding Advance		.18	
Totals:		1385.00	0.00

Department :Production - Line
Occupation :TRIMMERS
Occupation :TRIMMERS

500.00	200.00	100.00	50.00	20.00	10.00	5.00
2	1	1	1	1	1	1

NET PAY 1385.00

Payslip of one of the interviewed workers. (23)

Working hours

The normal working hours for the majority of the workers are between 07:00 and 17:00, with a break between 12:00 and 13:00. Some factories add 15 minutes to the working time by cutting the lunch hour short. They work 5 days a week. There is often overtime in the factories, which is mostly compulsory, during the weekends and at night. Workers complain that they work in the evenings, sometimes until very late and no transport is available or provided. Some workers sleep in the factory. Sometimes workers work throughout the night and start work as normal the next day. After a full days work on the first day they rest for two hours between 17:00 and 19:00, and work until 05:00 the following morning to begin work at 07:00. They rest again for two hours and work another full day. In another factory the workers are locked up to work through the night and the manager going home, taking the key with him. In one of the factories the workers claim they have to work 7 days a week, almost every week. When workers fail to show up for overtime they get a warning that may lead to a penalty wage cut or dismissal.

When the factory cannot operate, due to electricity cuts or the delay in raw material delivery, workers are not paid during this time and it is considered unpaid leave, "I can't pay workers when they are not working" says one of the managers. (15)

Targets

Most workers produce to a target system. When the workers do not succeed in making the targets, they will have to work unpaid overtime, will get warnings, and/or will miss out on a production bonus and if they repeatedly fail to make the target they will eventually be dismissed.

Leave

Most workers do not get paid leave. In some factories the workers can take up till 2 weeks unpaid leave and in others the December break is considered leave time. Most workers do not get sick leave or are given one or two days off without pay with a medical certificate for which they will not be paid. When a worker is sick for longer he is usually dismissed. There is often no maternity leave, and the workers are dismissed and must re-apply.

Management-worker relationship

Management shows no respect for workers. Some of the workers complain that they are shouted at all the time by supervisors and management, called names and even beaten. To the researchers, management appeared paternalistic and racist and talked about the workers in denigrating terms, calling them stupid, lazy and one manager when relating a recent strike action, described workers as "children that now and then go wild". (15)

Workers confirmed these racist tendencies and are mostly terrified of management. While many workers were willing to tell their stories in the hope that they may see real changes to their working and living conditions, those workers that participated were given the reassurance that their inputs would be anonymous so that they would not face repercussions for any negative statements made toward the company or management.

Union

The union is perceived as weak by the management and is not taken seriously. It is normal practice for most factories not to let the union onto the premises of the factories and management does not recognise the union. There is a worry amongst management that were the union to organise workers, the labour force could well become quite militant and given the extreme working conditions that exist this is quite possible.

In most of the factories workers are afraid to organise and management threatens the workers with dismissals as well as weeding out those workers who speak out. During discussions management spoke at time of spies employed for this purpose and during one interview the manager stated that the labour department advised the identification of trouble makers as well as mentioning that the Malawi Criminal Investigation Department played a role in sorting out a recent strike action at the plant.

The precarious nature of employment in garment factories that exist by in large as a trade off between high transport costs and low labour costs with ultra flexible labour conditions in the context of volatile international competition and supply chains makes unions reluctant to adopt a militant opposition to the atrocious labour conditions and low wages that tends to dominate most employment in Malawi.

Industrial action

Most industrial actions in the past few years have occurred without union involvement and were spontaneous protests against working conditions and more especially pay levels. These have been wildcat strikes for a few hours or even for a week. Whilst strike action has often resulted in some concession by management given the disorganised state of workers these concessions have not been very large. For example a week long strike recently resulted in management moving the pay increase from 5% to 15% which is still a real wage decrease when one considers the level of inflation in Malawi. (24)

In one factory, producing for Family Dollar, the workers went on a strike when paid two days too late. The workers are constantly living on the edge, barely able to stretch their money from one pay-day to the next. The factory manager relating the story was not able to understand the causes for this strike. The workers who are paid every fortnight however, could simply not survive another two days. Workers are desperate to change their situation in this factory, the workers reportedly went on a two hour work stoppage when one of the buyers was visiting the factory, to draw the attention of the buyer to their situation. In another factory, now producing for Wal-Mart, JC Penney and Mr Price, the workers got so angry about the working conditions in the factory that "they put the sewing machines on their head and walked away; the company lost 400 machines". (C12)

Penalties

All factories use a warning system to enforce discipline on the workers. Warnings often carry a penalty cost (in one factory, this is 21US$ for receiving three warnings) and often the workers will be dismissed after receiving three or four warnings.

Discrimination

Most workers in the garment industry in Malawi are male, from 75% up to 100% in some factories. This situation is completely different from Asian factories were women predominantly work in the garment industry. The reasons for this given by the management range from the perception that the industry is historically a male workplace so women do not apply, to women can't perform the work. Although some factories are employ women, and satisfactory so, none of these women are in a supervisory or management position, with exception of female employees from Asia holding supervisory and management positions.

Health and safety

In some of the factories the emergency exits are closed, even when arrows leading to them are marked on the ground and other indicators are in place. Workers are not aware of emergency procedures in the case of fires and some report that while there is fire equipment they are not sure of how it works and do not know how to use it.
Most workers are not provided with any protective wear. Workers were not wearing protection masks at any of the factories visited, except a few handmade ones from scrap material, although the surroundings were perceived as very dusty by the workers. Cutting gloves are not provided to the cutters. The working places are very badly equipped, with stools and non-adjustable tables. A large number of workers stand the whole day and complain about swollen legs. There is no ventilation in most factories. Toilet visits are restricted. In most factories there are is no first aid kit and no medicines provided or very few. Workers have to buy the medicines outside the factory. Drinking water is often dispensed from a drum using a common mug.

Temporary work

There is no real difference between temporary and permanent work as the salaries are in most cases uniform and hardly anyone has a contract of employment. Most workers may be subjected to arbitrary dismissals and there is no job security to speak of in Malawi. Almost all workers are first hired on a temporary basis. In some of the factories these workers will continue as temporary workers for the entire time of their employment regardless of the number of months or years of service. In the rest of the factories they are told that they are employed "fully", although contracts are not given to them by the employer. In some cases the temporary workers did not get benefits such as housing allowance or lunch money. In essence the workers in Malawian garment factories can be considered as a large pool of flexible workers.

Severe restrictions of movement

In one of the factories the workers are not allowed to leave the premises of the factory during lunch or to even approach the gate during the lunch to talk to people outside. Some factories lock workers in at night to continue production. Toilet visits are restricted and sometimes timed. Workers are also subjected to body searches when leaving the factory for any reason.

Funerals

An important issue for workers is the lack of a funeral fund. With life expectancy of 38.5 years in Malawi, partly due to the country being hard hit by HIV/AIDS epidemic and a high infant mortality rate, and the extremely low salaries, this is an important matter. The factories do not provide any funds or benefits for deceased workers' families and this means that workers are plagued with worries of the well being of their families in case of their death. A lot of the managers complain about workers taking time of to attend funerals. Most are not allowed to go, unless it is a wife or child. In one factory the workers are not allowed to leave the factory to attend a funeral when the targets are not me, also not after the normal working hours.

all in a days work : a workers story

My name is Kaonda. I live in Malawi and have worked as a tailor for a garment factory for the past four years. My wife, Chiletso, and I work hard to support our four children. We are always struggling and there is barely enough for our children to survive. My wife and children stay in the central region in our home village. I stay in the city in a hostel to be closer to work. I see them once every three months and miss their company.

I wake every morning around 5 am. I receive 1,400MK a month which is not enough for me to afford breakfast. I leave the house with an empty stomach. I will wait until lunchtime when I can use the 10MK lunch allowance provided by the factory to buy one potato. That will be all that I eat for the day. Most of my salary goes back to my wife and children to pay for rent and food. Their housing costs 500MK per month and our food costs more than the rest of my wages so we are constantly in debt.

It is important that I leave early as I live a great distance from the factory where I work and cannot afford to pay for transport. I move fast to be sure that I arrive at the factory before 7 am. If I am even one or two minutes late the manager will penalize me. Once he deducted my attendance bonus, worth 123MK, when I arrived at the factory four minutes after 7 am.

After working there for 4 years I have gotten used to the atmosphere and mostly now I am just overwhelmed with fatigue. We work extremely long hours, especially when we have a large order for the Americans that needs to be finished. I can remember an entire week when we stayed on past five and did not stop working until 3 am, and then we took a break and started again at 7 am. We did not get paid overtime wages for the time that we stayed late. The managers said that we were required to stay on until we had finished the targets that they had set and it was not their problem that we were working slowly. There is nothing slow about the way we work. If we even take time to stop and use the toilet for longer than five minutes they will deduct money from our salary as a punishment. They set unreasonably high production quotas and force us to work frantically like machines.

The environment inside the factory is uncomfortable and the air is full of dust. My closest friend, Thondoya, has TB and says the poor ventilation is making him ill. The managers often humiliate us with beatings if we make a tiny mistake on the cutting or stitching. I feel angry degraded and helpless by the conditions we face at work, the bosses treat us like animals. I see their expensive cars parked in front of the factory and I know that it is my labour that paid for that BMW. Recently my youngest son contracted Malaria, he was only three years old and he died. It was a terrible loss for my wife and me. My boss did not even allow me to take off one day of work so that I could attend my son's funeral. I spent that day in the factory sewing blue jeans with a broken heart but I had to push on at work or else I would have certainly lost my job.

By the end of the day when I have finished sewing in the factory I only have enough energy to go back to my room and chat with Thondoya before I turn out the light and wait for it to all start over again.

Taken from an interview with a garment factory worker

foreign company worker interviews

Factory	Factory A
Product / Labels	No information
Wages	General workers earn 14US$ a month, mechanics earn 18US$ a month and drivers earn 25US$ a month. Workers are paid 91c for work on Saturday and 1.20US$ for Sunday. They are not paid overtime.
Working Hours	The workers often work 7 days a week. The workers start work at 7:00 and work sometimes to 20:00. They have a half hour lunch break. They work 9 hours a day on weekdays and 8 hours on Saturday, 8 hours on Sunday, so a normal working week is 61 hours. Sometimes they have to work late on weekdays. Workers noted that those who meet their target could leave the factory at 17:00 and those who don't meet their target work later without any extra payment.
Manage-ment rela-tionship	The workers mention being shouted at by supervisors and management. Supervisors call them monkeys. Some supervisors even beat the workers.
Union	Workers are interested in joining the union but there has been no response from the union.
Penalties	The workers are expected to produce about 1200 pieces for all of the 6 lines and when they do not meet the targets they are yelled at, and sometimes beaten. When the workers arrive 5 minutes late they are penalised and have to pay up to double their daily wage. When workers make a mistake they get a warning. Workers are given warnings for many things like wearing an open shirt to work. Every warning carries a penalty of 700 MK. After 3 warnings the total of 2100 MK is taken from the workers´ wage. After another warning the worker gets fired. For not coming to work on the weekend workers get a warning, the next time it happens they are dismissed.
Health and safety	There are no uniforms or protection gear such as masks. There are no fans for venti-lation. There is no medical care unit in the factory. The workers have to bring a re-port from the hospital or doctor and get only 2 days paid sick leave. There is no compensation in case of injury on duty. The company locks the fire exits.
Contracts	
Control on labour conditions	
Other	The company does not pay anything to the family of a deceased worker. There is no transport provided by the company when workers work late at night.

Factory B	Factory C	Factory J
South Africa: Mr Price US: Hidary, Subway.	Work wear, overalls, dustcoats, tops and trousers	Produce shoes mainly for Malawi, Mozambique, Tanzania
Workers earn 8US$ and supervisors earn 12US$ a fortnight including a housing allowance and an attendance bonus of 1.23US$. Workers get a production bonus, e.g. when a packer packs 50 000 items he will get 20c extra. Workers receive 10US$ as leave pay deducted from their monthly wages. There is 2 weeks unpaid leave per year and no paid sick leave.	Machinists earn 14US$, cutters 11.65US$, and the store assistant 17US$ per fortnight. This includes a 1.56US$ attendance bonus and a housing allowance of 1.30US$. There are no benefits, no medical aid and no pensions. The workers will get a production bonus for hourly targets that include all hours of the fortnight.	Workers are graded and earn between 9US$ to 16US$ a fortnight. A leave grant is paid at 5US$. There is an incentive bonus of 3US$ a fortnight. There is no food allowance or shift allowance for night workers. Workers are given three months paid maternity leave.
Working hours are from 07:00 to 17:00, every fortnight they work a Saturday. When there is a lot of work, workers are expected to work late at night and sometimes 7 days a week. Workers are paid overtime for weekend work.	Working hours are from 07:00 to 17:00, 5 days a week. If there are large orders, workers have to work late and on the weekends. Overtime is paid for weekend work.	Normal day working hours are from 07:00 to 17:00 5 days a week. Sometimes workers work an hour overtime in the evening. There is also a night shift.
The management comes from Asia. The workers say some of the managers shout at the workers and some beat the workers.	No information	No information
Management is perceived as hostile towards the union and workers are afraid they will be dismissed for joining the union.	The union is denied access to workers.	There is no union involvement at this time
If a worker makes a mistake he is penalised by a wage cut If a worker is even 5 minutes late, his whole attendance bonus is cut and he is either sent away or the first hour of work is deducted. Overtime is compulsory and workers receive a warning or are suspended if they do not report for overtime. After 2 warnings you are dismissed.	Workers lose the whole attendance bonus if they report late for work on any day. Targets are set very high, workers have to work late to meet them with no extra pay. If workers make a mistake they get a warning, sometimes they are suspended for two or three days.	No information
The factory can only be accessed through one door. These doors are locked when the workers have entered the building and there is no key on the inside. The fire equipment is not checked and the workers do not get training on how to use it. There are no clothing or masks provided nor gloves for the cutters. There is no assistance when a worker is sick.	There are no fans on the factory floor. Workers have no protective clothing or protective masks. Some workers work standing the whole day and are not allowed to sit down for a rest. There are 5 entrances of which 3 are locked and 2 are open. There is a medicine box but no medical facilities are provided. If a worker is ill, money is deducted for the time missed. If a worker takes longer than 5 minutes in the toilet he is dismissed.	Workers sometimes receive compensation for injuries. There are toilets but no toilet paper. There is a first aid kit but it is not used when workers need it. If a worker asks to be released for when he is not feeling well they are fired.
The workers do not have contracts and are treated and paid as casuals.	Workers are hired on a temporary basis for 6 months, after which they are considered “fully employed” but they do not have contracts.	Workers contracts do not have conditions of employment. The probationary period is not defined.
Workers say that when labour inspectors visit the factory management bribes them and buyers do not look at labour conditions.		
The company does not contribute when a worker dies, 5MK is deducted from everyone wages and given to the family. The workers are searched and searchers even put their hands in the trousers of the workers.	The company says they are paying 1500MK when a workers dies, but they do not pay this. Workers are not allowed out at lunch and are given two rolls to eat.	

Factory	Factory D
Product / Labels	Trousers, jeans jackets and shirts are produced for Steve Barry, Cargo Trousers, Chino Trousers and Primear. Workers were not sure of brands produced but thought they are exported to South Africa, China and the US.
Wages	Helpers receive 5.75US$, Operators receive 6.90US$ and Supervisors receive 13.40US$ gross per fortnight including bonuses and housing allowance. Payment is done on a Saturday regardless of whether workers are working on that day or not. Helpers receive 1.15US$, Operators 1.38US$ and Supervisors 2US$ per fortnight for full attendance including Saturday and Sunday. Arriving a few minutes later on any day will result in the bonus being withheld. Workers are given 20c for lunch. If a worker is late he does not receive this. Workers receive 1US$ a fortnight for housing. There is also an incentive bonus for 600 pieces in a day. This target has never been reached. It is reported that if workers do not reach a 450 pieces target, they loose their attendance bonus and their wages.
Working Hours	Officially working hours are 07:00 to 17:00 with a 1 hour lunch break. Workers may not leave the factory until the daily targets of between 450-500 pieces a day is met. Production finishes 3-6 hours late approximately 7 times in a fortnight. This overtime is compulsory and uncompensated. Workers also report instances of working through the night from 19:00 to 05:00 during which time they are locked in the factory. Workers reported working most Saturdays and Sundays at 1.5 times daily wage for Saturday and 2 times daily wage for Sunday.
Management relationship	No information
Union	There are few union members as the company threatens the workers with dismissal.
Penalties	Workers reported 4-5 dismissals a week relating to mistakes on the line, time keeping or leaving a job before the target is met. Dismissals are not done formally, the worker is simply told to leave and to pick up any pay owing on the weekend.
Discrimination	There are reports of sexual harassment of female workers by the supervisors but workers say that the personnel manager was fired last year for this reason.
Child Labour	No information
Health and safety	Uncompensated injuries were reported. Conditions were dusty and participants reported that a number of people had developed respiratory problems. Masks are not provided. There is a first aid kit which is not used. All workers share the same mug in a drum of water. There is no toilet paper and a line is assigned 1 access card for the day. Security guard by toilet searches before and after going to the toilet. Workers who spend more than 5 minutes in the toilet should expect to pay a fine A number of workers reported swelling of the legs from standing the entire day everyday.
Contracts	The entire workforce is on temporary employment. There is a three (3) months probation period but it was not clear what changes after this period. There are times when casual workers are employed for 3 or 4 days when there is a large order. These workers are not given an employment card and receive no lunch money
Control on labour conditions	No information
Other	Locked in: Workers are locked in the factory from 7am until lunch time and then again afterwards. Leave: There is no paid leave, sick leave or maternity leave. Workers have to reapply for their jobs if they take time off.

Factory E	Factory F
Pep	Shirts, pants and coats are produced with no labels, mainly for local market supplying Pep Stores and Wholesalers in Limbe.
Workers in this factory are paid according to grades with Grade 1 being paid 9.50US$ and other grades being paid 7.50US$ per fortnight (65c per day); in this they receive 2US$ attendance bonus per fortnight. Supervisors earn 9.50US$ per fortnight. In these wages there is 70c for housing. Supervisors do not get attendance bonus but receive a production bonus of up to 5US$ if targets are reached. When working overtime they can make about 12US$ to 13US$ per fortnight.	Workers are paid 9.20US$ and 2US$ housing allowance a month. Work on Saturday paid at 80c per day
Working hours are between 07:00 and 17:00 for 5 days a week, with an hour lunch break. Overtime is worked in the factory, on weekends and at night. Transport is not provided for workers working late at night and some workers will sleep in the factory. Sometimes workers work through the night, they start at 07:00, rest for two hours between 17:00 and 19:00 then work until 05:00 and rest until 07:00 and work another full day. Some say overtime is voluntary others say they are forced. The Overtime on Saturday and Sunday is paid at 1.5 times the daily rate but some say work on Sundays is paid at 2 times the daily rate.	Working hours are between 07:30 and 17:00 five days a week . Sometimes workers work overtime on Saturday but they do not work on Sunday.
The relationship with the management is cordial, according to the supervisors, they sit down and talk to the managing director.	Workers say their relationship with management is fine, but their wages are too low.
Workers interviewed say that management has nothing against workers joining the union. The union has 15 members in this factory.	No information
Warnings are given for, as an example, coming late. After 3 warnings the workers get dismissed. This does however not happen often.	Dismissal for non performance
Workers interviewed say that there is no discrimination in the factory. There are about 20 women. They say that there is no harassment.	There are no women employed in the company.
There is no child labour used at this factory.	No information
The doors are open in the factory, there are several exits, and there are fire extinguishers and the workers get fire training. There are no gloves for the cutters and no protective clothing or masks for the dying department. Workers say they were given protective masks, but this is long ago. They can use the toilets freely. Women workers can take up to 6 months unpaid leave. They are not doing standing work the whole day and are allowed to take a rest. The factory provides some medicines for the workers, they have been promised more medicines, several times by the management but so far this has not	Workers say that there are no injuries in the factory as it is mainly sewing. All seems fine and safety equipment available. Toilets, fire extinguishers, well light, building big enough and very clean. The doors are locked for security reasons.
None of the workers has a contract. The probation period is from six months to a year, during which these workers are paid less.	No information
Workers say that the labour inspector comes to the factory, looks at Health and Safety, looks at labour conditions, speaks to the management and sometimes to the workers. Sometimes customers look around the factory and talk to the workers.	No information
Funeral assistance: There is no money given by the factory when a worker dies. The other workers in the factory help a little. Searches: The workers are searched when leaving the factory during lunch and after work.	Targets: the factory does not work with targets

Factory	Factory G
Product/Labels	Pep, Mr Price and US labels
Wages	The workers do not receive payslips. Tailors earn 11US$, trimmers 8.50US$, pressers 9.50US$, assistant supervisors 18US$ and senior supervisors earn 25US$ a fortnight. Overtime is not paid according to the law, they get paid 0.74US$ for working on Saturday and 0.84US$ for Sunday work. Overtime for evening work is not paid at a set rate.
Working Hours	Working hours are 07:00 to 17:00 from Monday to Friday. On Saturday workers work from 07:00 to 17:00 and on Sunday from 07:00 to 16:00 most weekends. Workers often work until 19:00 and through lunch during the week and they get paid 0.03US$. Sometimes they have to work through the night when there is a large order.
Management relationship	Workers are afraid of management as they get warnings for everything and are fined and dismissed if they question management.
Union	Workers are too afraid to join a union as workers were fined 3 days pay for speaking to the union and either demoted or dismissed.
Penalties	If the workers miss a day of work 1.20US$ is deducted even if he is sick or has asked for permission. If a worker misses a day of work without permission he is dismissed If a worker does not work overtime 0.50US$ is deducted.
Child Labour	No information
Health and safety	No information
Contracts	Workers have no contracts and no payslips
Control on labour conditions	No information
Other	If a family member dies workers are allowed a few days off as unpaid leave.

Factory H	**Factory I**
The workers did not know labels of the product and they also did not know buyers of the company.	Uniforms for companies e.g. Stanbic, Police, Malawi, bank and army
Administration workers earn about 30US$ a month whilst factory workers earn 11.50US$ of which 40c is a housing allowance, an attendance bonus is paid at the end of the year. After 5 years of service workers are given a service payout of between 20US$ and 30US$ and the company provide funeral loans for workers that lose family members.	7.50US$ to 13US$ a fortnight depending on years of service and seniority. The wages include housing allowance
Workers work for 5 days a week from 07:00 to 16:30. Work on Saturday is regarded as overtime but workers are not paid overtime and management selects who will work. Failure to reach targets results in working extra hours without overtime pay.	Workers work a 9 hour day with one hour lunch and sometimes work overtime. This is generally compensated although it is not voluntary.
Relations between management and workers are not good as they are not allowed to state grievences and if do such they are dismissed.	General manager does not sort out problems and hides behind the owner. Does not pay terminal benefits to the deceased claims if they had loans.
The union has been trying to recruit members but workers are scared to join a union. Few workers have joined a union which is not recognised by the company.	Workers are not unionised, the union has not approached the company yet.
Workers have to work overtime or face warnings and dismissal. Workers are given warnings when they take time off to attend funerals.	Workers must perform to targets or face disciplining of wage cuts or warnings
There are some workers that are as young as 13 years old, they say they are 18 years old although this is difficult to verify as they do not have identity documents.	
If a worker is injured at work, the company sends him to the clinic but he is not paid for the hours he is away. Workers are not allowed to take sick leave, if they are sick for more than three days they are dismissed. Workers are not provided with uniforms.	The drinking water pipe passes through the toilet. Workers have no masks to protect against dust nor hand gloves even for the toilet cleaners There is sufficient lighting but no fans on the factory floor The doors are kept open but there is a search when workers go out.
The company employs some casuals on a fairly permanent basis and others on an ad hoc basis, the difference in earnings is 15MK per day even though some workers have 13 years of service.	Workers do not have contracts.
Workers have a problem with low salaries and low overtime pay. Workers are not allowed to submit grievances. The company does not provide transport at night when workers work overtime.	No funeral assistance, no sick or compassionate leave, no loans or meals provided, Low salaries Annual leave granted only during December shut down.

conclusion

Since the onset of party political democracy in 1994 Malawi has seen macroeconomic measures of liberalised policy impacting on most sectors of the economy but after an initial spate in GDP growth between 1995 and 1999 this has slowed considerably. Conservative monetary policy has ensured fairly high interest rates with a commercial lending rate of over 50% in recent times. Whilst this has had some impact on inflation it has made investment capital very difficult to come by and probably had a negative impact on job creation.

The export component of the garment industry has since 1994 been focused on the South African market. More recently this focus has shifted to the US with Malawi becoming AGOA eligible in August 2001. AGOA has not lead to large-scale investment and job creation as has been suggested by many observers. Since the onset of AGOA no factories have been opened and new jobs have not been created with work simply shifting South African supply to US supply with no real impact on the sector. There has been limited investment in the garment sector with the majority of such investment coming from foreign companies and largely directed towards upgrading existing facilities to comply with stricter standards imposed by US buyers as some factories gear up to take advantage of duty free access to US markets under the AGOA. Two large foreign owned companies who employ more than half of formal sector workers in the garment industry dominate the garment sector.

AGOA eligibility is still quite new and further development in the sector may occur as a result of the trade dispensation as buyer networks are established and Malawi becomes better known to both buyers and investors. Some of the orders for the US market were said to be overflow from countries such as Lesotho and Swaziland that have become the areas of investor preference in the region. Supply of the EU market is small as a result of rules of origin provisions in the EU-ACP agreement. The domestic consumption market for garments has been heavily hit by the importation of second hand clothes and large informal sector production and distribution of garments has developed in Malawi. The South African market is still an important one for Malawi but will become less influential as producers shift focus towards the United States.

The garment industry is an important component of Malawi's industrial output taking up approximately half of non-traditional exports. It is arguable that some investors may be waiting to see if the LDC materials provisions of AGOA are extended for a few more years before deciding to invest in a country that no longer has any real textile production capacity and other large textile producers in the region such as South Africa cannot produce sufficiently for the large demand.

Malawi being a landlocked country must compete on an international market with the disadvantage of expensive and unreliable transport systems as well as many delays in customs processes. Infrastructure is poor with frequent interruptions to the electricity and water supply. There has been interest from external investors but competing countries in Southern Africa have generally been more successful in attracting investors as more viable alternatives to Malawi. Whilst government and US officials remain upbeat about the positive spin offs of AGOA, domestic and foreign management, who felt that the only advantage to investment in Malawi was low wages, did not share this enthusiasm. The industry lacks backward and foreword linkages failing to add value along the garment supply chain. The closure of David Whitehead means there is no domestic textile industry to develop fabric and yarn within Malawi despite the existence of substantial cotton production within Malawi. The only sustainable development of the sector will require capacity to process raw cotton into quality fabrics.

Malawi is an extremely poor agrarian country with an underdeveloped labour market and a very narrow industrial base. Poverty and lack of jobs exert a downward pressure on wages and labour conditions. There has been a progressive deterioration of about 300% in real wages over the last few years. Employers tend to pay at the minimum wage which has remained unchanged for some time. Small increments have been given from time to time but these have not been far from inflation linked. Labour standards are enshrined in law and many some of the brands and retailers in the US market have codes of conduct stating minimum labour conditions. Factories tend to ignore those provisions that will have an impact on profit or interfere in the completion of targets and the Malawi department of labour are under resourced to monitor and ensure compliance. Trade unions tend to be small and relatively disorganized in Malawi with the majority of industrial action in the garment sector occurring in the form of spontaneous protest on the part of workers subject to extremely exploitative conditions.

Codes of conduct do seem to have some impact on factory conditions and managers of these garment factories are certainly aware that there are higher standards of working conditions being demanded by buyers and retailers from the United States than currently exist. This is largely as a result of consumer actions and campaigns that have highlighted the plight of workers in the world's garment production facilities. The response of factories in Malawi has tended to be more cosmetic than substantive such as building sufficient toilets and ensuring codes of conduct are pinned up (although often not in accessible places) rather than improving the quality of workers lives. Codes tend only to insist on adherence to national legislation and on the matter of wages this is so low in Malawi that adherence to minimum wage does not translate into fair payment for services rendered, thus the codes make no substantive difference to ensuring that workers are paid a living wage.

Other legal adherence to hours and overtime provision is also paid little regard particularly where it comes to completing an order for a US buyer in order to avoid penalties. The turn around times insisted by US buyers are generally shorter than those of the South African buyers most factories have been busy with in the last few years and require more time for surface delivery. In this sense whilst US buyers insist on standards they have made no concession on the speed or quality of production nor the prices paid for the products and must carry responsibility for many of the abuses that do take place. Responsibility for risks and adverse conditions are shifted down the supply chain to factories and then to the workers in these factories. This process is clearly documented as practice in many garment factories in Malawi that set targets that workers must complete before they may go home regardless of the length of time it takes.

Whilst there is scope for sustainable improvements in labour conditions the lack of a vibrant trade union movement to oppose the unfettered profit motive of those that control these factories suggests that realizing this is still some way off. However the high transport costs make it unlikely that the sector will ever develop quality employment as transport costs are accommodated by low wages and flexible labour. One possible development that may have an impact on this equation is the development of the Ncala corridor and the port of Biera. This has the potential to improve delivery times as well as reduce transport costs. This would provide more margins for the improvement of standards.

notes:

1. For the purposes of consistency through this report, the monetary unit used is US Dollars where possible, at an exchange rate of 1US$ to 100MK as at the 7th August 2003.
2. Government of Malawi (2000) Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998
3. From interviews with 7 Factory Managers or Owners
4. Finance Minister of Malawi Budget speech 2002/2003
5. Malawi Poverty Reduction Strategy Paper. April 2002
6. Human Development Report 2002, UNDP (2002):
7. Data collected during focus groups and worker interviews
8. Sub-Regional Trade Expansion in Southern Africa: Malawi Supply Survey on Textiles and Clothing. Malawi Confederation of chambers of Commerce and Industry (For ITC) March 2002
9. From interviews conducted with traders at the Limbe market
10. This table comprises data that has been drawn from the South African Department of Trade and Industry and the US department of commerce. It is useful to compare the value of exports and the steady growth of factories in Lesotho and Swaziland as opposed to fluctuating patterns of growth.
The * indicates a figure calculated using average Rand dollar exchange rates at the time.
11. Newspaper article by Tom Khanie December 2002
12 Interview with KK Desai Chair of the Malawi Garment and Textile Employers Association. All 8 factories exporting are members and employ over 7000 workers (between 70%-80% of the formal sector workforce.)
13 Comprehensive report on US trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act (the Third of eight annual reports (May 2003)
14 AGOA Forum for civil Society Mauritius 2002
15 Compiled from different management interviews during the research process
16 Interview Malawi Export promotion Council
17. MIPA DOCUMENT BROCHURE PROVIDED TO Potential investors
18. The rule was to be phased out by September 2004 although a number of industry opinions point to its extension
19. Wage Determination Act
20 Interview with a labour inspector (Blantyre Labour Office)
21 ICFTU Report on Malawi 2002
22 The information is compiled from worker interviews and focus group sessions
23 The pay slip pictured here is one of the better paid workers whom in fact get a pay slip. The hours registered on it are 91 suggesting he is getting 1300 MK or US$13 a fortnight
24. footnote on industrial action
25. Technical Report: GSP Assessment and Country Export Survey Shawna Turner, Business Development Specialist
26. Trade Liberalisation and the Clothing and Textile industry in Malawi DPRU Policy Brief No. 01/p11 April (2001)
27. David Whitehead had an exclusive right to provide fabric for the local industry. They bought 60% of Malawi's cotton at 6 a subsidised rate. It was a partnership between Lonrho and Edmark (government). Lonrho made no substantial investment in skills or equipment and when profitability faltered and government could no longer support it Lonrho sold their share for very little and disappeared. In essence they milked the country until the company collapsed which then had a knock on effect on the farmers.
28. Nacala Port and Rail Mozambique: OPIC has approved US$30 million to develop and rehabilitate the railway and am port facility of the Nacala Corridor in Mozambique, Malawi and Zambia, providing less expensive alternative to Durban South Africa.

Appendix 1

Malawi US exports, imports, GSP imports and AGOA imports, by major commodity sectors, annual and year to date January to March					
Sector	Value (1 000US$)				
	2000	2001	2002	2002 YTD	2003 YTD
Textiles and apparel:					
Exports	812	862	337	8	138
Imports	7 326	12 385	11 432	3 791	7 234
AGOA including GSP provisions of the AGOA act	0	4 799	11 405	3 791	7 231
GSP imports	0	1	0	0	0
Duty-free items added for AGOA act	0	4 798	11 405	3 791	7 231
Footwear:					
Exports	13	18	22	0	0
Imports	0	0	0	0	1
All sectors:					
Exports	13 627	14 334	28 626	3 881	3 483
Imports	68 126	71 800	68 109	19 474	18 487
AGOA including GSP provisions of the AGOA act	0	35 362	46 904	12 015	10 415
GSP imports	23 218	23 305	5 584	769	341
Duty free items added for AGOA act	0	12 057	41 320	11 246	10 074

Appendix 2

Labour law in Malawi

Malawi having ratified a number of the ILO conventions. The core conventions:

- Freedom of association and collective bargaining - Convention 87
- Freedom of association and collective bargaining - Convention 98
- Elimination of forced and compulsory labour - Convention 29
- Elimination of forced and compulsory labour - Convention 105
- Elimination of discrimination in respect of employment and occupation - Convention 100
- Elimination of discrimination in respect of employment and occupation - Convention 111
- Abolition of child labour - Convention 138
- Abolition of child labour - Convention 182

There is separate legislation dealing with labour relations, minimum conditions and rights, health and safety as gazetted in the following Acts

Labour Relations Act, 1996 (No. 16 of 1996).

Part II provides for the freedom of association. No person shall be required to join a trade union or shall be discriminated against for joining one. Trade unions may not discriminate against anyone on the grounds of race, colour, nationality, sex, disability or religion. Part III covers registration of

trade unions. Part IV relates to collective bargaining and organizational rights. If employers refuse to enter into collective bargaining, the Minister may establish an industrial council. Part V concerns dispute settlement. Disputes shall be settled in the Industrial Relations Court. Should this fail, parties may engage in a strike or lockout, provided they are not an essential service. Persons engaged in strike or lockout activities in conformity with the Act are immune from civil proceedings. Employers shall not hire replacement labour for striking workers. Part VI establishes a Tripartite Labour Advisory Council; Part VII relates to the Industrial Relations Court.

Employment Act 1999 (No. 6 of 2000).
Comprehensive legislation on employment. Part II makes provision for prohibition against forced labour, anti-discrimination, equal pay, and remedies for infringement of fundamental rights. Part III regulates rights and duties of Labour Commissioner and labour officers. Part IV deals with employment of young persons, including prohibition against child labour, and Part V with labour contracts. Part V provides for hours of work, weekly rest and leave, and Part VII for wages. Finally, Part VIII makes provision for discipline and dismissal.

Minimum Wages and Conditions of Employment (Amendment) Act 1974
An Act to amend the Regulation of Minimum Wages and Conditions of Employment Act [Cap. 55: 01]. No. 12.Statute creates an Industrial Court in malawi which is refered to as the Industrial Relations Court. The court is the main ajudicator of indiustrial disagreements and any aggrieved party does have the right to approach the court for relief.

The Industrial Relations Court:
The court is composed of a chair person who heads the court, a vice chairperson and 5 persons nominated by labour to the employees panel and five persons nominated by by employers. These nominees are appointed by the Minister. The Industrial Relations Court in deciding cases uses the following sources of law:

- The Malawi Republic Constitution
- The Labour Relations Act
- The Employment Act
- International Labour Standards of the ILO (Conventions)
- Customary International Law
- Case Law

The IRC as per the Labour Relations Act and the Employment Act has powers to grant the following remedies:

- Reinstatement
- Restoration of any benefit/advantage
- Compensation
- Re-engagement
- Fine or imprisonment
- Injunction during strikes or lockouts

A party to any matter before the IRC may appear in person or assisted or represented by a member or official of the organization, a co-employee, labour officer, or any other person that a party so appoints or by a legal practitioner but with the permission of the Court.

An aggrieved party may appeal from the decision of the IRC to the High Court of Malawi but only on matters of law or jurisdiction. Otherwise, on matters of fact, the decision of the IRC is final and binding.

Industrial Relations Court has offices. We have Blantyre-Limbe in the South and Lilongwe in the Centre. Plans are underway to open a centre in the City of Mzuzu in the North. Meanwhile the Lilongwe registry deals with cases from the North. The Chairperson periodically sits in Mzuzu to hear cases from the Northern Region.

The Industrial Relations Court in malawi can not cope efficiently with its current case load and an applicant can expect to wait many months extending to years in complex matters before there is any prospect of relief. It would seem talking to employersw workers and government and export/ import related agencies that reinstatement is not automatic remedy, it would seem infact that there is some reluctance to use the power of the court to force an employment relationship.

The long waiting periods coupled with the reluctance in practice to grant reinstatement but rather severnce benefits means the court has de facto less power to impact on the enforcement of rights than could otherwise be the case. In short an employer will not be too concerned to arbitarily dismiss a worker where the most probable orst case outcome would be a small compensatory award in a years time.

In the AGOA report to the Congress (2003) Ncala Port & Rail Modernization: OPIC has approved up to $30 million to develop and rehabilitate the railway and port facilities of the Ncala corridor in Mozambique, Malawi and Zambia, providing a less expensive alternative to Durban, South Africa for moving goods from landlocked countries and a less costly means of transporting essential food aid to famine stricken countries.

Acronyms used in this report:

AGOA	African Growth and Opportunities Act
WTO	World Trade Organisation
EPZ	Export Processing Zone
EU	European Union
ACP	African, Caribbean Pacific Nations
EA	Employment Act
LRA	Labour Relations Act
MK	Malawi Kwacha
IRC	Industrial Relations Court
MOLVT	Malawi Office of Labour and Vocational Training
MIPA	Malawi Investment Promotion Agency
MEPC	Malawi Export Promotion Council
RSA	Republic of South Africa
GDP	Gross Domestic Product
HDI	Human Development Agency

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