

# **STUDY TO INFORM THE SELECTION OF AN APPROPRIATE WAGE RATE FOR PUBLIC WORKS PROGRAMMES IN MALAWI**

Submitted to:

National Safety Nets Unit  
Government of Malawi

31 May 2004

Submitted by:

Ephraim Chirwa, Wadonda Consult  
Anna McCord, SALDRU, University of Cape Town  
Peter Mvula, Wadonda Consult  
Caroline Pinder, WISE Development

# **STUDY TO INFORM THE SELECTION OF AN APPROPRIATE WAGE RATE FOR PUBLIC WORKS PROGRAMMES IN MALAWI**

## **CONTENTS**

	Executive Summary	3
1	Objectives of the Study	6
2	Methodology	7
3	Overview of Poverty and Livelihoods in Malawi	8
4	Economic Analysis to Inform a Revised Wage Rate	14
5	The PWP Wage and Programme Design	29
6	The PWP Wage and Programme Implementation	35
7	Conclusions and Recommendations	40

## **ANNEXES**

A	Terms of Reference for Study	42
B	Economic Analysis Tables	45
C	List of Key Informants	47
D	References	48
E	Technical Report	50

## **ABBREVIATIONS**

CA	Contract Association
CRIMP	Central Region Infrastructure Maintenance Programme
CSC	Centre for Social Concern
C-SAFE	Consortium for Southern Africa Food Emergency
DFID	Department for International Development
EGS	Employment Guarantee Scheme
EI	Emmanuel International
GoM/EU	Government of Malawi/European Union
IHS	Integrated Household Survey
ILTPWP	Improved Livelihoods through Public Works Programme (MASAF)
JEFAP	Joint Emergency Food Aid Programme
MASAF	Malawi Social Action Fund
MPRSP	Malawi Poverty Reduction Strategy Paper
PWP	Public Works Programme
SB	Subsistence Basket
SPLIFA	Sustaining Productive Livelihoods through Inputs for Assets
SSCS	Small Scale Contractor's Scheme
WFP	World Food Programme
WVI	World Vision International

## **Acknowledgements**

We would like to thank the staff of the Government of Malawi's Safety Nets Unit, MASAF and CARE Malawi for their help in compiling this report, in particular Francis Lwanda of CARE Malawi who provided us with invaluable analysis of public works survey data. We would also like to thank staff of the EU PWP, and other key informants for their time and ideas, and the many PWP workers who participated in the interviews and fieldwork that was conducted for this study and who we hope will benefit from our findings.

This study was funded by the UK Department for International Development, Malawi.

## **STUDY TO INFORM THE SELECTION OF AN APPROPRIATE WAGE RATE FOR PUBLIC WORKS PROGRAMMES IN MALAWI**

### **EXECUTIVE SUMMARY**

This Study was commissioned by the Safety Nets Unit of the Government of Malawi in order to explore the concern raised by PWP workers, implementing agencies and donors that the wage rate paid by public works programmes in Malawi may not be consistent with the policy objective of improving livelihoods<sup>1</sup>.

The specific objectives of the Study were;

- To develop a replicable and robust process with clear criteria for determining an appropriate wage rate;
- To provide recommendations for a revised wage level;
- To review the objectives of PWPs in relation to the need to address longer term livelihood promotion.

A two phase methodology was adopted. The first phase involving data collection based on a literature review, key informant interviews, and focus group discussions with programme participants, and the second the analysis of the data gathered in phase one, and the presentation of findings to stakeholder government departments and donors.

Constraints were faced during the study in the form of limited current poverty and labour market information, and the fact that the primary household survey available was carried out in 1998, prior to the major drought and food security shocks of recent years, which are likely to have brought about significant changes in the structure of the household economy. The sensitive nature of the research, and the fact that this Study coincided with holding of the Presidential and Parliamentary elections also limited research opportunities.

First the Study sets out the role of PWPs in the context of the National Safety Nets strategy, and gives an overview of current PWP activity in the country. The tension between the policy objectives ascribed to PWPs and their impact is outlined, and the inadequacy of the current wage highlighted in terms of meeting the subsistence needs and promoting the livelihoods of participants.

An economic analysis of the PWP wage rate is then presented. Wage levels are found to be highly variable across the sector, with the lowest being the MASAF wage, which was set in 2001 and has lost 30% of its value since this time<sup>2</sup>. If it were to maintain keep pace with the minimum wage inflated to 2004 values, it would need to be raised to MK54.

---

<sup>1</sup> See for example the report on proceedings of the MASAF/World Bank Completion Workshop for MASAF II (2003), at which concerns regarding the level of the wage rate were voiced by MASAF and District staff.

<sup>2</sup> The very recent increase in the MASAF wage rate from MK30 to MK37 has compensated only in part for this loss in real value.

The monetary value of monthly basic household subsistence needs is derived from three different subsistence lines, one estimated on the basis of the IHS, one using a basic basket of goods, and one derived from workers own evaluation of their minimum needs.

Once other income and own production is taken into account, estimates are made of the daily wage required to meet annual basic subsistence needs, taking into account 3.5 months own food production, on the basis of the three subsistence lines. These figures are then considered in relation to prevailing wages, and a PWP daily wage of no less than MK83 a day recommended to ensure that the basic subsistence needs of participating households are met. This is necessary if programmes are to have the potential to achieve the objective of sustained poverty reduction and livelihoods promotion. This wage rate would reduce the hours of work required for participating households to acquire the income needed for basic household subsistence. This in turn would increase the time available for own production or alternative IGA, and offer the opportunity to engage in higher return economic activity.

Given the nature of the Malawi labour situation, with significant over demand for low paid agricultural employment, this wage would be unlikely to have negative or distortionary labour market impacts.

This recommended wage represents an interim wage level due to the provisional nature of the subsistence lines on which it is based. A survey-based costing of the basket of goods required to satisfy basic subsistence needs in Malawi is required to confirm these figures. In addition the wage should be reviewed each year in line with rural inflation. Regional wage rates may be adopted to reflect the considerable regional variation in the cost of basic consumption goods; it is not likely that this will have a distortionary impact on the labour market.

However, the livelihoods benefits anticipated for the recommended wage rate will only be realised if key design and implementation issues are also addressed.

The wage rate does not function as an adequate mechanism for targeting the poorest in Malawi, and community targeting is required if the poorest are to participate. While their work requirement renders public works unsuitable safety nets for households without available labour<sup>3</sup>, labour constrained households (ie households with only one economically active adult) are among the poorest, particularly where the active adult is a female, and have the potential to benefit significantly from shifting their labour to higher return public works activity. For this reason it is recommended that this group should be explicitly targeted.

It is also recommended that the length of PWPs should be extended to 18 months to ensure support over two planting/hungry seasons, and that programmes should also include components which facilitate saving and the development of income generating activities. Workers should be paid on time, and programmes scheduled to coincide with seasonal needs of workers. Incentives and contract conditions should be used to ensure that private contractors comply with programme recommendations, particularly regarding poverty targeting. The location of PWPs

---

<sup>3</sup> For example households where there are no physically able adult members.

should be selected according to poverty targeting and include a range of infrastructure projects prioritised in the DDP and including maintenance as well as asset creation.

Finally it is recommended that the Safety Nets Unit should take forward the above recommendations for revising and harmonising programme design, in order to reduce the gap between PWP policy objectives and their impact.

## **STUDY ON SETTING AN APPROPRIATE WAGE RATE FOR PUBLIC WORKS PROGRAMMES IN MALAWI**

### **1 OBJECTIVES OF THE STUDY**

This study was commissioned by the Government of Malawi's National Safety Nets Unit in conjunction with the Malawi Social Action Fund (MASAF), and funded by the UK Department for International Development, Malawi.

The goal of the Malawi National Safety Net Programme is to improve the livelihoods of the most vulnerable and marginalised groups in society by enhancing their productivity and increasing their self reliance<sup>4</sup> and Public Works Programmes (PWP) form an important component of the overall strategy for addressing this goal.

MASAF was established in 1995 in order to contribute to the Government of Malawi's objectives of alleviating poverty. Its programme evolved in conjunction with the development of the Government's Decentralisation Policy of 1998, the National Safety Net Strategy (NSNS) adopted in 2001, and the Poverty Reduction Strategy in April 2002. The current design of the MASAF programme (MASAF III) is based on the principles of Community Driven Development which include empowering communities and local governments.<sup>5</sup> The goal of the NSNS and MASAF is "To improve livelihoods of the most vulnerable and marginalised groups in Malawi through productivity enhancement and increased self reliance." MASAF is the largest PWP employer, having been implementing PWPs since 1995, and aims to provide income and employment opportunities that contribute to longer term economic growth<sup>6</sup>. The study came about in response to concerns raised by PWP workers, implementing agencies and donors that the wage rate paid by public works programmes in Malawi might not be consistent with the policy objective of improving livelihoods<sup>7</sup>.

The specific objectives of this Study were to:

- develop a replicable and robust process with clear criteria for determining an appropriate wage rate;
- provide recommendations for a revised wage level;
- review the objectives of PWPs in relation to the need to address longer term livelihood promotion.

It should be noted that this report is not offering a review or critique of the minimum wage levels that are applied in Malawi; rather it is confined to looking at the wage rate paid to participants of PWPs in relation to the Government of Malawi's social protection objectives.

---

<sup>4</sup> The National Safety Net Programme constitutes Pillar III of the Malawi Poverty Reduction Strategy (MPRS).

<sup>5</sup> GOM, MASAF Communications Unit: "MASAF 3: Community Empowerment and Accountability"

<sup>6</sup> DFID-MASAF Project Memorandum for August 2002.

<sup>7</sup> See for example the report on proceedings of the MASAF/World Bank Completion Workshop for MASAF II (2003), at which concerns regarding the level of the wage rate were voiced by MASAF and District staff.

## **2 METHODOLOGY**

The research for this Study was conducted in two phases during April and May 2004:

### **Phase 1: Data Collection**

This phase comprised a literature review and a series of interviews with key informants (see Annex D for details). For the full findings of the phase 1 research which formed the basis for the phase 2 analysis, see the detailed Technical Report attached as Annexe E.

Phase 1 also included field visits, arranged by C Pinder with staff of CARE-Malawi, Salima District Assembly and Ministry of Economic Planning & Development. This fieldwork comprised a series of focus groups discussions with male and female beneficiaries of MASAF and MASAF-ILTPW programmes and a meeting with staff responsible for implementation of PWP's at Salima District Assembly.

A Wage Rate Survey carried out by CARE amongst MASAF-ILTPWP participants in November 2003 was also used in the preparation of this Study.

### **Phase 2: Analysis and recommendations**

This phase comprised economic and social analysis of the data collected in phase 1, and the production of this report<sup>8</sup>.

Further follow up interviews with several key informants were also held, and the draft findings presented to a meeting of the agencies commissioning the Study, and other interested government and donor bodies.

### **Constraints on the research**

The main source of data was the 1998 Integrated Household Survey, which formed the basis for key development documents in Malawi, including the Malawi Poverty Reduction Strategy. However, Malawi has experienced many economic changes during the six years since the IHS was conducted, including a drought and subsequent food shortages, and there is some concern that this may adversely affect analysis based on these figures. Ideally more recent household and labour market survey data would have been used to inform this report, however, in the absence of such data, information was extracted from a variety of sources and inflated to 2004 prices, and supplemented with qualitative data from the field work conducted for this study and various beneficiary surveys carried out by MASAF and CARE Malawi.

The sensitive nature of the research, and the fact that this Study coincided with holding of Presidential and Parliamentary elections also limited research time and access to key informants and documentation.

---

<sup>8</sup> The social development analysis was carried out primarily by C Pinder and P Mvula, and the economic analysis by A McCord and E Wadonda.



### 3 OVERVIEW OF POVERTY AND LIVELIHOODS IN MALAWI

#### 3.1 Poverty in Malawi:

For the past two decades livelihoods and food security have been declining for the majority of rural households in Malawi. The 1998 HIS gives an indication of poverty prior to the recent drought. According to 1998 consumption data, 65% of the population is poor, and 28% are living in 'dire' poverty, characterised by persistent food insecurity and declining livelihood sustainability<sup>9</sup>. Poverty is more prevalent in rural than urban areas; with 67% of the rural population living in poverty and 91% of the poor and 92% of the ultra poor living in rural areas. The rural poor are likely to spend most of their income (80%) on food.<sup>10</sup> Almost half of poor households are self-employed, primarily as smallholders (85%) with 81% of the poorest decile of households in Malawi having landholdings of less than half a hectare.<sup>11</sup> A third of smallholder households in Malawi are female-headed; and half of the 40% of rural households which are food insecure are female-headed. The burden of food insecurity often falls on women as a result of their being unable to take advantage of off-farm employment.<sup>12</sup> In 2000 half of all children under 5 years were found to be stunted, and life expectancy fell to 39 years<sup>13</sup>.

Since 1998, however, the drought has led to a worsening of the situation described above. Market liberalisation and reform have offered few opportunities to rural people to increase their incomes; rather, rural populations have experienced increased hardship and livelihood erosion as a result of the removal of fertiliser subsidies, currency devaluations and rising prices for foods and basic consumer goods. Contributing to this situation is the HIV/AIDS epidemic with an estimated infection rate of around 16% for the 15-49 age group<sup>14</sup>. HIV/AIDS is exacerbating the chronic poverty problem in Malawi, reducing households' labour availability and shifting scarce assets from consumption or productive uses to medical care and funeral costs.

Surveys conducted by various organisations<sup>15</sup> have found that many poor rural households experiencing worsening food shortages since 1998 have been forced to meet immediate consumption needs by disposing of their productive assets which are required for longer term economic viability. Many households been reduced to survival activities, epitomised by reliance on ganyu, food aid, harvesting wild fruits and, where available, public works employment. These households have sold most of their assets and rented out their land, and their only remaining productive resource is their own labour. Single headed households, which are usually female, face a serious labour constraint as they have to meet household responsibilities as

---

<sup>9</sup> Government of Malawi (2000) Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998

<sup>10</sup> *ibid*

<sup>11</sup> *ibid*

<sup>12</sup> *ibid*

<sup>13</sup> This is primarily due to the increased incidence of HIV/AIDS.

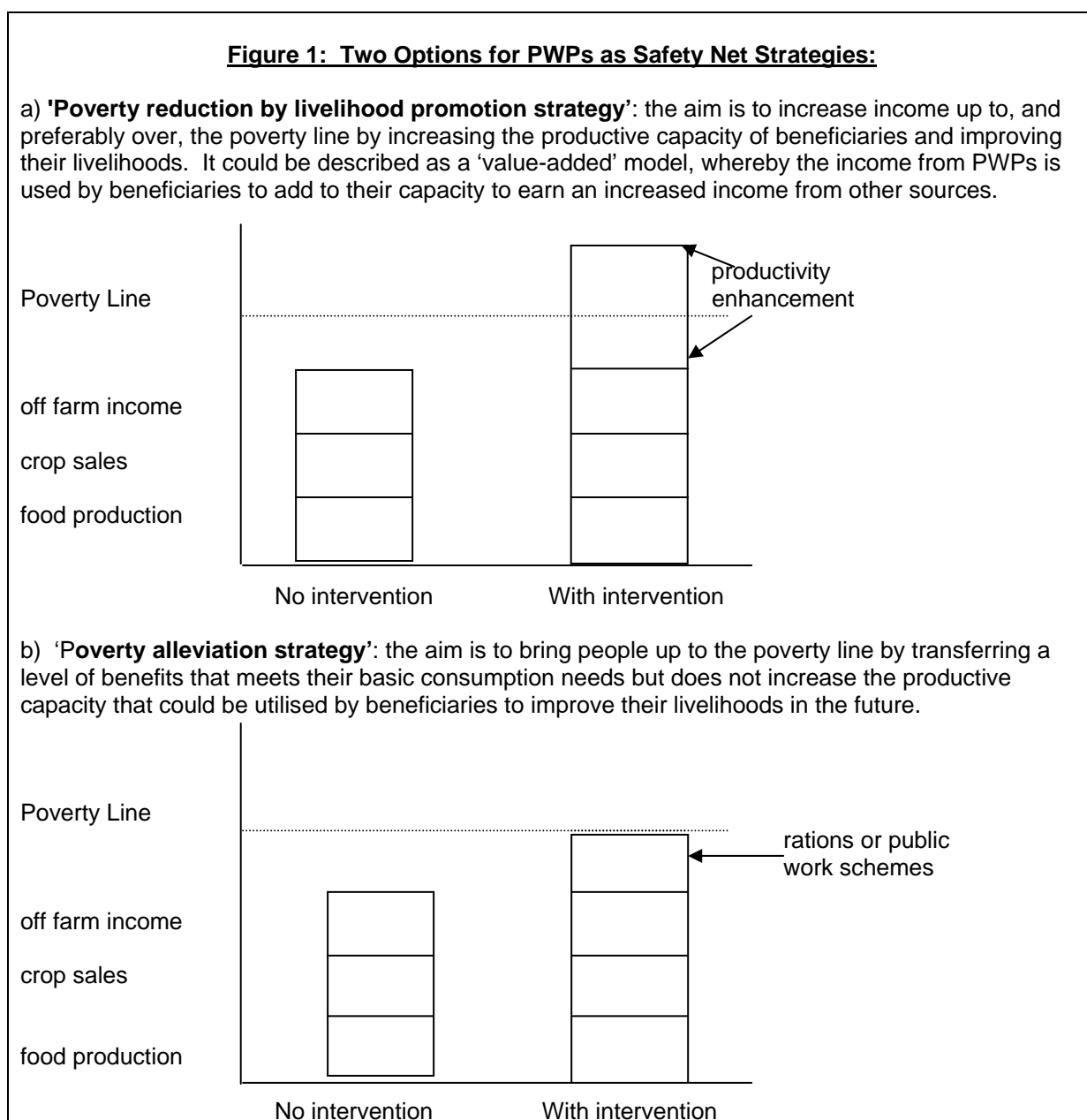
<sup>14</sup> Conservative estimates put the figure at around 16% nationally for the 15-49 age group, however further estimates in 1998 placed 46% of all new adult infections in the age group 15-24 yrs, with most of these infected individuals not yet aware of their status. This suggests the peak of infection has not yet been reached.

<sup>15</sup> For example, CARE, SCF and OXFAM

well as engage in wage earning activities or search for employment which offers cash or in kind payment; the activities available to such households tend to offer extremely low remuneration due to high the competition for employment.

### 3.2 Safety Nets and Public Works Programmes in Malawi:

Safety nets aim to protect people from the effects of low income and poverty, by helping them to manage household risk. PWP are one type of safety net, aimed at supporting the economically active poor by engaging them in labour intensive public works. These programmes may be designed either to provide short term cash or in-kind transfers for the poor at times of crisis, or in situations of chronic poverty, to distribute wages over a longer period with the aim of reducing poverty and improving livelihoods. The difference between the two types of objectives, poverty alleviation and livelihood promotion, is illustrated in the diagram below.



(This diagram was adapted by Pinder from Devereux, September 2001)

Currently there are a large number of PWP's being implemented in Malawi, providing temporary employment for an annual workforce of approximately 220,000 workers in 2003, an estimated 4% of the labour force. The main public works programmes currently implemented in Malawi are summarised in table 1 below, (see the attached Technical Report for more details).

**Table 1: Total Number of Workers in Major Public Works Programmes in Malawi 2003**

Programme	Implementing Institution	Number of Workers 2003
<b>MASAF-PWP</b>	District Assemblies	98,000
<b>MASAF-ILTPWP</b>	CARE	12,000
<b>C-SAFE</b>	CARE, AFRICARE, SC-USA, EI, CRS, WVI	28,000
<b>SPLIFA</b>	CARE, SC-US, Africare, EI	27,000
<b>GoM/EU PWP*</b>	Programme Management Unit	9,000
<b>JEFAP II</b>	Africare, CU, CRS, WVI CPAR, EI, CARE	43,000
<b>TOTAL</b>		<b>217,000</b>

\* Only the EU road construction programme has been included in this overview, as the forestry and irrigation components of the programme do not conform to the characteristics of PWP's in terms of a regular wage component.

In order to meet the goal of the National Safety Net Strategy<sup>16</sup>, workers engaged in public works programmes should, over time, be able to demonstrate varying degrees of livelihood improvement. They should also be able to demonstrate their resilience to deal with, and recover from, shocks and stresses. In addition to considering the two different objectives of Safety Nets, it is also necessary to clarify what is meant by an improved livelihood. The following indicators of an improved livelihood have been used in monitoring systems to track workers on some of Malawi's PWP's:<sup>17</sup>

- The ability to meet basic household consumption needs (food, shelter, clothing, access to health and education facilities).
- Investment and improvements in household asset levels, or, in cases of asset depletion, how participation in a PWP can arrest or reduce this trend.
- Initiating and improving productive activities (both agricultural or non-agricultural).
- Improvements in human capacities and capabilities (through the acquisition of new skills and improved psychological orientation).
- Examples of coping with, and recovering from, stress and shocks.

Currently however, most PWP's in Malawi only address poverty alleviation, despite their explicit objectives of livelihood improvement. Most programmes last for 3 – 6 months, with workers recruited onto the programme on a first-come first-served basis, and at varying wage rates.<sup>18</sup> Analysis of the wage rates indicates that they

<sup>16</sup> NSNS goal: "To improve livelihoods of the most vulnerable and marginalised groups in Malawi through productivity enhancement and increased self reliance." (NSNS, 2001)

<sup>17</sup> CARE Malawi, November 2003 "Getting the Wage Right".

<sup>18</sup> See Section 4 for details of the rates paid on each scheme.

are not currently meeting even the basic consumption needs of workers and their households for the few months they are employed on the programme<sup>19</sup>. Nor does the wage level enable workers to save or build up productive assets which will enable them to strengthen their livelihoods after their period of employment is completed. When the programme is over, most workers have no option but to return to their previous survival strategies.

“The majority of the people (41.1%) said that they had not adopted any coping strategies after the completion of the projects in their communities. A good number of people (26.1%) however, indicated that they would revert to the activities that they were doing before they got involved in the PWP projects. The rest of the respondents invariably indicated that they would look for piece work (20.5%), or sell food stuffs (6.8%). About 5.5 percent were already doing piecework after the completion of the PWP projects.”

*From: MASAF III Beneficiary Assessment, 2003*

There have been in Malawi, however, examples of programmes which follow a ‘poverty reduction by livelihoods promotion’ model. The Contract Association (CA) concept aimed at promoting livelihoods amongst poor women by engaging them on road work for eighteen months at the minimum wage rate and adding a 30% increment which was paid directly into a savings scheme<sup>20</sup>. CA members participated in Income Generating Activity (IGA) training and group formation which encouraged additional group and individual savings, as well as group and individual enterprises. It used community targeting to ensure the poorest women participated in the programme, and promoted economic and personal empowerment. The duration of the programme was chosen to enable the women to work through two agricultural seasons, so that they had time firstly, to build up household assets and purchase fertiliser and secondly, to develop sustainable income sources both on- and off-farm.

Although the food crisis in the country, and the impact of HIV/AIDS<sup>21</sup>, subsequently reduced some of the gains made by women in the CAs, they coped significantly better than those who had not participated. Ongoing studies show that many are now managing to restore their livelihoods using the training received from CARE, and drawing on the assets which they had accumulated under the programme such as land, small livestock, and cooking utensils for food processing, to re-build their income generating activities, while also benefiting from the greater sense of self-worth derived from the programme.<sup>22</sup>

Many aspects of this model were transferred to the Improved Livelihoods through Public Works Programme (ILTPWP) pilot in the MASAF programme, but some critical aspects were omitted. The workers on MASAF-ILTPWP are engaged for only ten

<sup>19</sup> See Section 4

<sup>20</sup> This approach was used in CARE’s Central Region Infrastructure Maintenance Programme (CRIMP).

<sup>21</sup> In a survey conducted by CARE in October 2003, members of CA groups reported a high number of deaths (eg affecting four out of ten women in the group) amongst their spouses and/or children, necessitating sale of assets and use of savings for funerals. (Pinder, C, Oct 2003, Economic Pathways Study – Phase 1, CARE-Malawi)

<sup>22</sup> CARE-CRIMP: Contract Association - Livelihood Monitoring Report, Post Graduation, June 2002

months, and the cash paid to them each month is the wage (MK36 per day) that is paid on all MASAF programmes, but *less* a third which is held back and paid into compulsory savings. Although workers on MASAF-ILTPWP appreciate the compulsory savings concept, they are unable to meet even their basic household food needs on the remaining MK24 paid to them<sup>23</sup>. In addition, delays in the payment of wages in the MASAF programmes, mean that workers are having to take credit from local shops until they receive their savings payout, most of which will as a consequence be used to repay those debts.<sup>24</sup> As a result several workers said they would prefer to be employed on an ordinary MASAF programme where the whole MK36 would be paid to them. Others, however, appreciated the security of income for a longer period of time<sup>25</sup>, as well as the group formation and IGA training.

The first question therefore in relation to the performance of PWP as safety nets, is whether the wage paid on PWPs is sufficient to meet even basic subsistence needs. The second question is whether PWPs can be taken one stage further to meet their stated objective, "To improve livelihoods of the most vulnerable and marginalized groups in Malawi through productivity enhancement and increased self reliance". This entails recognition that PWPs are not only a tool for short term poverty alleviation, but also have a role to play in promoting improved livelihoods and long-term poverty reduction.

It is also important to note that there is often a tension between the objectives of improving infrastructure on the one hand, and alleviating poverty and improving livelihoods, on the other. Are PWPs primarily a means to create infrastructure using labour based methods and therefore using increased amounts of labour, or are they an instrument to deliver social protection for the poor to help them improve their livelihoods? Although the two do not have to be exclusive, programme design and targeting may differ considerably between the two objectives.

### **3.3 Labour issues:**

An issue raised in several studies conducted amongst participants of PWPs, and confirmed by the field research for this study, is the differential impact of PWP income on livelihoods depending on the amount of adult labour available, and the gender of that labour. Single-adult (usually female) headed households are less able to source additional income from elsewhere, whereas two-adult (or more) households are able to pursue ganyu and alternative sources of income as well as working their own fields; in these circumstances income from PWPs is secondary, or complementary to their other income. Single-adult headed households, on the other hand, use most of the time remaining after completion of the PWP task on household duties. Furthermore, although men and women are paid the same on PWPs, women's earnings in the labour market are lower than men's, and even returns for

---

<sup>23</sup> Findings of case studies interviews carried out for the CARE Wage Rate Study, where some instances of severe malnutrition were reported among participating households, (November 2003), and focus group research conducted as background fieldwork for this Study (May 2004).

<sup>24</sup> CARE 2004, op cit.

<sup>25</sup> The security of income over a prolonged period has been found to be at least as important as wage level in ensuring that significant livelihoods benefits accrue from public works employment (see for example Dev 1995, Devereux 2000, McCord 2004).

the same task are likely to be lower for women, meaning that they receive lower returns for the same hours of work.<sup>26</sup>

If improved livelihoods are to be achieved through PWPs, therefore, it is clear that the wage will at least have to provide an income floor, to ensure that basic household subsistence needs are met. As will be seen in the section 4 (economic analysis), currently the wage does not meet these basic consumption needs. Most PWPs work on the basis of a four to six hour task, and it is implicitly assumed that other forms of work such as ganyu, off-farm income generating activities, or own-food production will provide sufficient goods or income to cover the subsistence shortfall. However labour constrained, usually single/female headed households,<sup>27</sup> are likely to experience severe difficulties in closing the gap between what they earn on PWPs and what is required to meet household consumption needs.

### 3.4 Household Expenditure Levels

Poor rural households survive as a result of constantly changing and mixing their livelihood portfolios to deal with many factors, such as seasonality, price fluctuations, risk and shocks. In this way households move along through a number of stages along a continuum of livelihood strategies which can be characterised as;<sup>28</sup>

- **adaptive strategies** which minimise and spread risk by means of adjustment and diversification in the longer-term;
- **coping strategies** which minimise the impact of acute shocks and stresses in the shorter-term; and
- **survival strategies** which prevent destitution or even death, in extreme situations.

These stages vary in terms of the long-term cost and degree of irreversibility of the strategy. Adaptive strategies may include use of savings or sale of non-productive assets. Coping strategies, such as sale of livestock and productive assets, will be less easily reversed and carry a longer-term and higher cost in terms of future livelihood sustainability, while survival strategies, such as selling or moving off the land, will be totally irreversible. Some households are more at risk than others, however, and may move along that continuum at a faster rate depending on their vulnerability in terms of previous asset accumulation and the availability of labour and other productive resources.

The MASAF Beneficiary Assessment (2003) shows that the majority of income from PWP is spent on food and basic provisioning. Only 6% of PWP participants invested in longer-term production, eg purchasing farm inputs or livestock to sell later on. The main reason given for the lack of investment was that the wages were too low to make any meaningful savings or investments.

---

<sup>26</sup> According to the Community & Household Surveillance Report of February 2004 average daily wages (urban and rural) are MK75 for men and MK52 for women.

<sup>27</sup> Our use of the term 'single adult households' mainly applies to female headed households but we also use it to include two-adult households where one is chronically ill requiring care, and single male adults or child heads of households of orphans.

<sup>28</sup> Devereux (1999)

To enable poverty reduction by means of livelihood promotion, and to prevent households being forced to adopt non-reversible coping and survivalist strategies, a household needs to meet three types of expenditure: food needs, non-food needs and productive investment, as set out below.

	Basic food needs
+	<u>Basic non-food needs</u> (housing, education, health, clothing)
=	Total required to reach the poverty line
+	<u>Productive investment</u>
=	<b>Total required income for livelihood promotion</b>

The question now becomes, what PWP wage rate is required to enable provisioning in basic food and non-food needs, as well as protection of existing assets and the acquisition of additional assets required for livelihood promotion. This question is analysed in relation to household data in Section 4.

The PWP wage alone will not be sufficient to ensure sustained poverty reduction; setting the correct wage rate is just one of several design and implementation considerations which need to be taken into account if a PWP is to achieve the objective of long-term poverty reduction through livelihood promotion. Other aspects of PWP design and implementation are discussed in Sections 5 and 6 below.

#### **4 ECONOMIC ANALYSIS TO INFORM SELECTION OF A REVISED WAGE RATE**

The methodology for determining appropriate wage rates for PWPs in order to achieve the objectives of poverty relief and livelihoods promotion, comprised a ten step process;

1. Reviewing existing wage rates
2. Reviewing the current value of the MASAF PWP wage in terms of inflation
3. Identifying poverty lines and ascertaining their monetary value
4. Reviewing own production
5. Reviewing other income for PWP workers
6. Identifying required net annual flow of income to meet basic subsistence needs
7. Identifying wage rate options

8. Analysis of prevailing wage
9. Consideration of labour market implications
10. Recommendation of wage rate

#### **4.1 Current Public Works Wages in Malawi**

A review of wages in current PWP programmes in Malawi, including Cash for Work (CFW), Food for Work (FFW) and Inputs for Work (IFW), indicates a wide range in the wage rate and the duration of employment across programmes. The wages paid in the main programmes are outlined in table 2 on the next page, and are broken down in terms of daily wages, hourly wage rates, and total monthly and annual transfers.

**Table 2: Summary Public Works Programme Wage**

Type	PROGRAMME	Daily Wage	Hours Worked	Days Worked/ Month	Monthly Wage	Monthly Monetary Equiv	Monthly Return	As % of MASAF	Effective Hourly Wage Rate**	As % of MASAF	Duration	Total Annual Income Flow
CFW	MASAF PWP (1)	36	3	26	936		936	100%	12	133%	3	2,808
	MASAF PWP (2)	36	4	26	936		936	100%	9	100%	6	5,616
	MASAF ILTPWP (+ save)	36	4	26	936		936	100%	9	100%	10	9,360
	MASAF ILTPWP (- save)	24	4	26	624		624	67%	6	67%	10	7,500
	EU (1)	58	6	26	1,508		1,508	161%	10	107%	4	6,032
	EU (2)	80	6	26	2,080		2,080	222%	13	148%	4	8,320
	EU (maintenance)	192	6	10	2,000		2,000	214%	32	356%	18	24,000
FFW	C-SAFE	53	4	20		1,050	1,050	112%	13	146%	3	3,150
	JEFAP	53	4	20		1,050	1,050	112%	13	146%	5	5,250
IFW	SPLIFA	100	4	20		2,000	2,000	214%	25	278%	1	2,000

\*50 kg maize @ MK17 and 5kg beans @ MK 40

\*\* THIS value is contingent on the estimated actual period of labour per day.

MASAF PWP (1) is calculated on the basis of a task taking 3 hours to perform, and MASAF PWP (2) on a task taking 4 hours.

EU (1) refers to the lowest wage paid in the PWP programme, and EU (2) the highest, for unskilled labour.

In terms of the daily wage, the lowest rate for full time employment is offered by the MASAF CFW programme, at MK36, and the highest is offered by the SPLIFA programme, where the monetized value of inputs totals MK100 per day. The EU road maintenance programme provides by far the highest daily wage rate at MK192, but only offers employment on a part time basis.

The value of the wage may also be assessed in terms of the number of hours of labour required in return for the daily wage, (the effective wage rate), which is calculated by dividing the daily wage rate by the number of hours of labour required. In terms of the effective wage, MASAF again offers the lowest hourly rate, at MK9-12 per hour, while the EU programme offers MK10-13, as do C-SAFE and JEFAP, while SPLIFA offers MK25 and the part time EU road maintenance programme MK32.



In terms of the monthly flow of income the EU programmes, both road construction and maintenance offer the highest wages, at between MK1,500 and MK2,000 per month, along with the SPLIFA. These programmes offering between 60% and 114% more than the MASAF monthly wage of MK936. Lowest of all is the MASAF-ILTPWP wage which offers a monthly take home pay of only MK624, due to the retention of 30% of the wage for savings.

Finally in terms of annual wage flows, the EU road maintenance programme offers the highest total transfer, due to the high daily wage rate and long duration of employment.<sup>29</sup> The MASAF programme offers a total transfer of between MK2,800 and MK5,600 to workers (for 3 and 6 months employment respectively), and the EU construction programme between MK6,000 and MK8,300, while the total for SPLIFA workers, with only one month of employment is MK2,000.

Whatever way wages on current PWP programmes in Malawi are analysed, there is significant variation in returns to public works employment in terms of hourly, daily, monthly and annual wage rates among the different implementing agencies. The MASAF rates are consistently at the bottom of the range. This analysis indicates that there is scope for increasing the degree of consistency in wage rates, particularly given the homogeneity of programme objectives. The payment of a consistent wage rate for public works across agencies would greatly reduce implementation and monitoring costs, both at district and national level, and significantly increase efficiency in this sector.

However, if wage rates are to be set in line with programme objectives, there is a need to ascertain monetary values for the attainment of these objectives and on this basis options for the public works wage rate may be derived. The three levels of objectives have been identified above (see Section 3);

- Basic food needs
- Basic food and non food needs
- Investment in savings and income generation (livelihoods promotion)

The monetary values required for attaining the first two of these objectives, the provision of food and non food subsistence, is discussed below drawing on three alternative poverty datum lines.

However, before this analysis is carried out the current MASAF PWP wage rate is briefly reviewed.

## **4.2 The Current Value of the Minimum Wage**

The MASAF PWP wage is based on the minimum wage of M37 which was set in 2001. Since this time there has been a decline in real value of the minimum wage due to inflation. Rural inflation totalled 47% between 2001 and 2004<sup>30</sup>, and as a

<sup>29</sup> The EU road maintenance programme offers employment for 18 months.

<sup>30</sup> The CPI does not extend to 2004, so the CARE cost of living analysis, which offers an index of costs for a large basket of goods and services for 2003/4 inflation. This provides an urban inflation rate which is not ideal but in the absence of alternatives this figure was used to complete the inflation to 2004 prices.

consequence the real value of the minimum wage has fallen from MK37 in 2001 to MK25 in 2004, only 68% of its original value. In order to keep pace with inflation and retain its value at current prices the rural minimum wage would need to be set at MK54.

However, it is not appropriate to use the inflated minimum wage alone as the guide for public works employment, since the public works programmes implemented in Malawi have explicit poverty reduction and livelihoods objectives. In the light of this, the ability of the PWP wage to meet these objectives must be included in the discussion.

### **4.3 Estimates of Required Poverty Line Income**

In order to assess the appropriate value for the public works wage, it is first necessary to identify the minimum bundle of inputs required by the poor to meet their subsistence food and non food needs, and from this to derive a poverty line. Identifying the bundle of goods to be used in calculating a poverty line is a subjective exercise, and for this reason three alternative measures of the minimum bundle have been used in this study;

- The IHS poverty line, based on the 1998 Integrated Household Survey poverty line inflated to 2004 prices (IHS)
- A 'Subsistence Basket' poverty line, based on the purchase of a basket food and non food goods to meet basic subsistence needs (SB )
- A 'Perceived Needs' poverty line, derived from the reported basic needs of MASAF public works employees (PN)

The official poverty line in Malawi is derived from the poverty line established in the 1998 Malawi Integrated Household Survey. The 1998 poverty line was based on an assessment of the average purchase price of 2100 calories per person per day, calculated on the basis of the food basket of the poor derived from IHS survey data, to which a margin was added for essential non food purchases. The 1998 IHS poverty line has been updated using the official rural consumer price index for 1999 to 2003, and a cost of living index for 2003/4 inflation<sup>31</sup>.

Two other poverty lines have been constructed as comparators for the IHS figures. The Subsistence Basket poverty line is derived from the costs of a basket of food required to provide a basic subsistence level of calorific intake, plus 20% for non food commodities (in line with the IHS consumption profile for the poor). This basket uses the basic rations required to meet a minimum calorie requirement in line with World Food Programme recommendations,<sup>32</sup> and was costed at 2004 prices. It should be noted that this Subsistence Basket poverty line does not reflect Malawi-specific dietary practices, and for this reason is not ideal, however, it represents the

---

<sup>31</sup> The rural CPI is only available to 2002/3. For 2003/4 data the CARE cost of living price index was used. This is an urban rather than rural index, but in the absence of an official rate for this period it was considered appropriate.

<sup>32</sup> The WFP ration is designed to provide a mean calorific package of MK2,100 per person per day

costs of purchasing an adequate daily calorie intake in terms of commodities generally available and consumed in Malawi.

The third poverty line is derived from research carried out with current MASAF public works employees in order to inform this study, and is called the 'Perceived Needs' poverty line. This line represents the cost of purchasing a basket of goods required to meet basic consumption goods, identified and costed by current public works employees.<sup>33</sup>

Each of the three poverty lines has been calculated in 2004 prices in order to ensure comparability, and the total monthly cash requirement estimated on the basis of an average household size of 5.6. The IHS survey<sup>34</sup> indicates that this is the average household size for the ultra poor who comprise the target group for the programmes under discussion.

It should be noted at this point that calculating a national poverty line is problematic, due to the considerable variation in costs across the country. The 1998 IHS indicated wide spatial variations in the poverty line, see table 3 below.

**Table 3: Regional Variation in Poverty Line (IHS)**

Region	Spatial price index
Southern rural	74
Central rural	92
Northern rural	112
Urban	222
National weighted poverty line	100

Source: IHS 1998 (NEC 2000)

Table 3 indicates that the purchase of a given basket of goods would cost 26% less in southern rural areas than the poverty line indicates, while it would be 12% more in northern rural areas. However, for the purpose of this analysis the national poverty line will be used, as it gives an indicative base for these calculations, which is applicable across all rural areas. The issue of possible regional variations in the PWP wage rate to address price variations is discussed in section 4.10 below.

#### **4.3.1 The IHS Poverty Line**

The official poverty line established in the IHS (1998) may be inflated to 2004 prices using the rural CPI to provide a current estimate of the official national poverty line. On this basis the monthly household poverty line is MK4,099 in terms of food costs only, and MK5,465 if non food cost are also included. On an annual basis the figures are MK49,189 and MK65,585 respectively.

#### **4.3.2 The Subsistence Basket Poverty Line**

The Subsistence Basked poverty line is based on the purchase of the commodities set out in table 4 below, and is designed to meet subsistence calorific requirements.

<sup>33</sup> CARE Wage Rate Study November 2003

<sup>34</sup> The EU 2003 PWP impact assessment study found the average household size to be 6.

**Table 4: Costing the Monthly Subsistence Basket Poverty Line**

Commodity	kg/day	kg/month	per hh (5.6)	2004 unit price	Total cost
Maize	0.45	13.5	75.6	17.5	1323
Pulses	0.06	1.8	10.08	69	696
Oil	0.025	0.75	4.2	160	672
Sugar	0.02	0.6	3.36	55	185
Salt	0.005	0.15	0.84	50	42
<b>Total</b>					2917

The Subsistence Basket monthly household poverty line is estimated to be MK2,917 in terms of basic food requirements, and if non food needs are also included this rises to MK3,501<sup>35</sup>, with annual requirements of MK35,008 and MK42,009 respectively.

### 4.3.3 The Perceived Requirement Poverty Line

The 'Perceived Requirement' poverty line was derived from a survey undertaken among ILTPW MASAF workers in November 2003 and field studies in May 2004.<sup>36</sup> Workers were asked to identify and cost the bundle of goods which they considered necessary for subsistence. It should be noted that these workers were among the poorest in their communities, having been selected for participation in the programme on the basis of their poverty.

The workers reported a minimum required monthly income of MK2,125 to meet their basic food needs (MK 25,500 per annum) and MK2,745 if non food needs were also included (MK32,940 per annum)<sup>37</sup>. This figure may be taken as an absolute minimum floor beneath which public works remuneration should not fall, since a wage set below this level is not even perceived by the poorest as adequate to meet basic subsistence needs. It should also be noted that the 'Perceived Need' poverty line is indicative only, being based on a small sample group, and that it represents a statement of basic subsistence needs by the ultra-poor, rather than a level of income which is desirable in any objective developmental sense.

### 4.3.5 Comparison of Alternative Poverty Lines

The three different poverty lines are compared in table 5 below. It is interesting to note that the IHS poverty line is significantly higher than both the Subsistence Basket and Perceived Needs poverty lines. Surprisingly the Subsistence Basket poverty line is only 64% of the IHS food and non food line, and less surprisingly, given the extremely limited expectations of poor PWP employees, the Perceived Needs basket is only 50% of the IHS poverty line. The significant discrepancy between the official IHS and the Subsistence Basket (and Perceived Needs) line suggests that there

<sup>35</sup> This follows the IHS data which indicates that the IHS that the non food component represents 20% of the total poverty line cost.

<sup>36</sup> CARE Wage Rate Survey among MASAF ILTPWP workers, November 2003.

<sup>37</sup> The modesty of this line, and the fact that it lies well below both the IHS poverty line and the Subsistence Basket poverty line conforms with Amartya Sen's argument that perceived needs are limited by one's experience and expectations; it may be assumed that the MASAF workers participating in the survey, who were selected by their communities on the basis of their poverty, are likely to suffer from chronic malnutrition (PMS 2000).

may be a problem with either the IHS data, or the CPI, given the simple derivation of the Subsistence Basket Line. However, this issue will remain unresolved until the completion of the next round of the IHS in 2005, and in the following analysis all three lines will be used in order to determine the appropriate wage level.

**Table 5: 2004 Poverty Lines**

	<b>Monthly Food Value MK</b>	<b>Monthly Food and Non Food Value MK</b>
<b>Inflated IHS Poverty Line</b>	4,099	5,465
<b>Subsistence Basket Poverty Line</b>	2,917	3,501
<b>Perceived Needs Poverty Line</b>	2,125	2,745

The IHS and Subsistence Basket poverty lines suggest that for the minimum food and non food requirements of public works employees to be met, a minimum monthly income of between MK5,465 (according to the inflated IHS figures) and MK3,501 is required. It is interesting to note that the Subsistence Basket and the Perceived Needs poverty lines vary by only 20%, indicating some consistency between perceived 'survival' levels of income required, and the Subsistence Basket estimate of basic needs derived from WFP figures.

#### **4.4 Overview of Total Household Production and Income**

In order to use the poverty lines outlined above for the determination of recommended wage rates for public works programmes, other sources of household income, both own production and income for cash or goods in kind, must be considered.

##### **4.4.1 Other Income**

There is little quantitative data on income from sources other than public works received by households participating in PWP. A survey commissioned in November 2004 to explore this question among MASAF workers in the Central Region has indicated average monthly additional incomes of MK700 for male participants, and MK400 for females. Investigation of the various activities which contribute to this income suggests that women engage in activities with lower returns, and also receive lower returns when they engage in the same activities as men, see table 6 below.

**Table 6: Monthly Returns for Different Activities Among MASAF-ILTPWP Workers**

	<b>Male</b>	<b>Female</b>
<b>Income generating activity</b>	-	650
<b>Credit</b>	-	259
<b>Loans</b>	700	370
<b>Agric ganyu</b>	625	370
<b>Other ganyu</b>	975	263
<b>Begged items</b>	250	116

Source: CARE Wage Rate Survey November 2003

The inclusion of loans within this table is the consequence of serious delays of up to 3 months in the payment of the PWP wage. These payment delays mean that despite working full time in PWP programmes, participating households do not have access to their wages, and so are forced into i) taking loans with interest rates of up to 50%, and ii) alternative work for cash or food, such as low paid ganyu *in addition to* PWP employment in order to ensure household survival. This is contrary to the objectives of the programme, particularly where households are labour constrained, and is likely to reduce time allocated to own production, further undermining household food security, while also pushing households into debt.

Field studies with MASAF workers in May 2004 indicate mean additional household incomes of between MK200 and MK400 for female and male workers respectively,<sup>38</sup> confirming the seasonal variation in income generating opportunities. The higher income consistently reported by male participants is due to the fact that male participants generally have more adult labour available in their households than female participants, who tend to be part of single headed households and therefore face significant labour constraints, as well as job search constraints in terms of their mobility.

In summary, indicative levels of household income among the poorest participants in PWPs may be in the range of MK200 to MK400 for women and MK400-700 for men. This suggests that female participants may be considerably poorer than male participants, and that their labour market options are more limited, with extremely low returns to the activities in which they are able to participate to complement their PWP income. This has implications for both targeting and wage setting, as will be discussed below.

The 'other income' levels reported by the poorest among the MASAF PWP participants (labour constrained households), are particularly low. Since this sub-group represents the target group for the programme in terms of its safety net function, it is their income which should be taken into consideration when formulating the PWP wage. In the light of this, given the low levels of returns to economic activity by this sub-group, the value of 'other income' may be considered insignificant and so will be set aside in terms of calculating the required public works wage. If successfully implemented, participation in public works should enable the shifting of income generating work from low to higher return activities, and increase the level of non-PWP contributions to total household income, in this way contributing to improved livelihoods.

#### **4.4.2 Own Production**

The second factor which must be reviewed when considering total household income is own production, which for most households will provide a significant contribution to household subsistence requirements<sup>39</sup>. The most recent Community Household Survey (2004) suggests that for the year 2004/5 own production will have an average duration of 3.5 months, similar to the level projected for 2003 (FEWS February 2003). Many poor households currently lack sufficient labour, land or

---

<sup>38</sup> CARE Wage Study Field Studies, May 2004.

<sup>39</sup> 90% of the poor have access to land, although many lack sufficient labour or capital to use all the land owned for agricultural production

capital to ensure even these levels of own production, and so the figure of 3.5 may be taken as an upper limit of the period of own production among the poorest. However it is assumed that with the payment of an appropriate PWP wage, there would be sufficient capital for the hire of labour (ganyu), purchase of inputs, and in the small number of cases where land is insufficient, for land rental households are likely to attain 3.5 months of own production in 2004/5. On this basis the monetary value of 3.5 months own production has been calculated using the IHS, Subsistence Basket, and Perceived Needs food requirement estimates.

#### **4.5 Annual Household Subsistence Needs (Adjusted for Own Production)**

The total value of 3.5 months of own production is subtracted from the annual monetary requirement for subsistence for each of the three poverty lines discussed above, in order to ascertain the total net annual cash shortfall for a household of 5.6 members which the public works wage would need to cover if basic subsistence needs were to be met, see table 7.

**Table 7: Annual Household Subsistence Shortfall Taking into Account Own Production of 3.5 months**

	<b>IHS Annual Shortfall (MK)</b>	<b>Subsistence Basket Annual Shortfall (MK)</b>	<b>Perceived Needs Annual Shortfall (MK)*</b>
<b>Food only</b>	34,842	24,797	18,063
<b>Food &amp; non food</b>	51,239	30,207	25,542

\* This figure is included for reference only, and is not indicative of a subsistence basket which would be considered adequate using the poverty lines derived from the IHS or Subsistence Basket. There is no implied recommendation that remuneration at this level should be considered, rather it should be used as a suggested minimum floor in the wage rate discussion.

#### **4.6 Wage Rate Options**

From these annual figures it is possible derive the daily PWP wage rate which would be required to ensure sufficient cash income to supplement own production and meet basic subsistence needs. However, the value of the daily wage is dependent on the duration of employment, and so the recommended daily wage rate would vary according to the period of employment offered within the PWP.<sup>40</sup> Daily wage rates which assume employment for twelve months in a year are calculated in table 8 below.

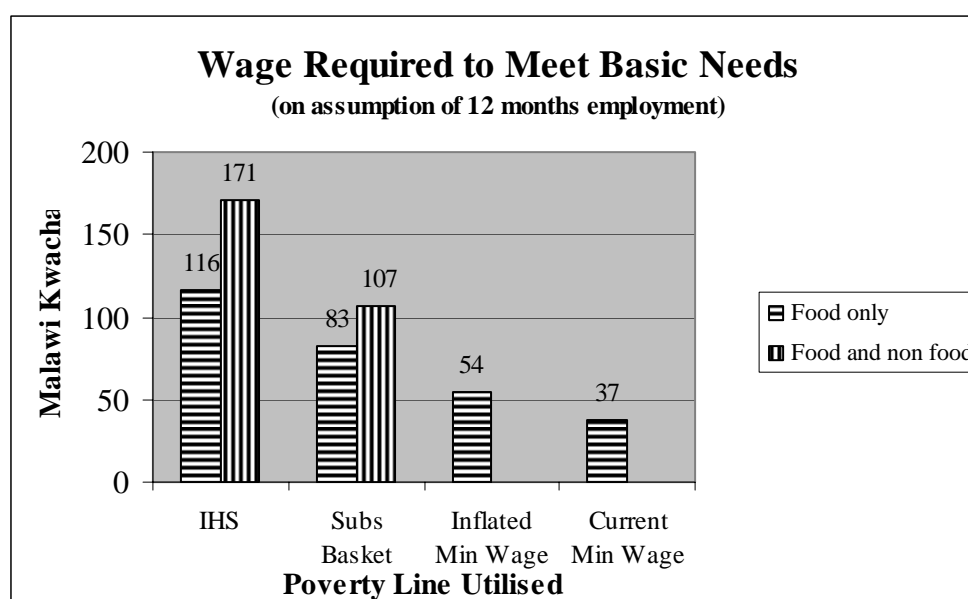
<sup>40</sup> The duration of employment has been found to be critical in terms of the livelihoods impact of a public works programme (Dev 1995, Devereux 2000, McCord 2004 etc). In the light of this, and the evidence from the CRIMP programme, it is recommended below that programme length should be at least 18 months, see below.

**Table 8: Daily wage rate required to meet subsistence needs, assuming 12 months of employment per annum\*\***

	IHS Poverty Line	Subsistence Basket Poverty Line	Perceived Needs Poverty Line
Food only	116	83	60
Food & non food	171	107	85

\*\* If the period of employment were less than twelve months, the wage should be increased proportionally.

Table 8 outlines a considerable range in daily wage rate options derived from the three different poverty lines. These figures are set out alongside the current and inflation linked MASAF wage rate in Figure 2 below.



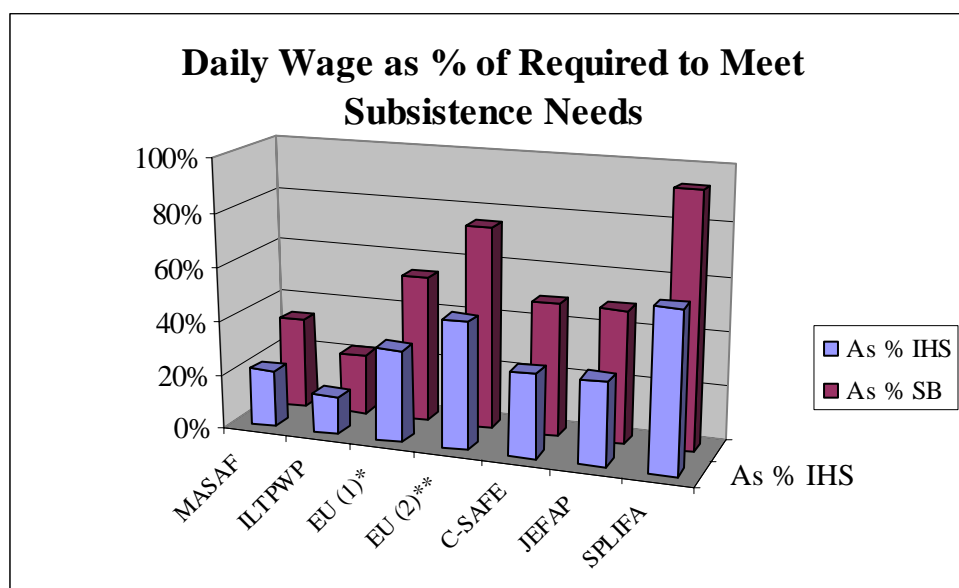
**Figure 2**

From this figure it is clear that the existing MASAF PWP wage is far below the monthly income required to meet objectives of even basic household subsistence, according to official and derived (Subsistence Basket) poverty lines. The current wage of MK37 represents 32% of the required wage according to the Subsistence Basket poverty line, and 22% on the basis of the IHS poverty line. If increased in line with rural inflation the revised wage of MK54 would represent only 50% of the Subsistence Basket, or 35% of the IHS requirement.

Given the level of the current wage, it is likely that PWP employment will reduce the depth of poverty of participants, since the effective wage rate is significantly superior to the low return economic activities the poorest PWP participants would otherwise have been engaged in. However, figure 2 indicates that the wage currently paid by MASAF falls significantly below the wage required to meet the poverty reduction objectives of the programme, and is unlikely to contribute significantly to the objective of livelihoods promotion. Payment delays, and the short duration of employment further undermine the likelihood of the programme achieving these goals.



The wage rates of the major public works programmes currently being implemented in Malawi are compared to the wage rates required to meet basic subsistence needs set out above in figure 3. It is apparent from the figure that all programmes fall far below the required minimum wage rates, whether set on the basis of the IHS or the Subsistence Basket poverty lines. The MASAF-ILTPWP wage is particularly low since 30% of the income earned is withheld for compulsory savings, while the regular MASAF programme offers only 21% and 34% of the wages required according to the two poverty lines. The EU road maintenance programme is the only programme with a daily wage which meets subsistence requirements although since employment is only offered for 10.5 days per month the programme has not been included in this table<sup>41</sup>.



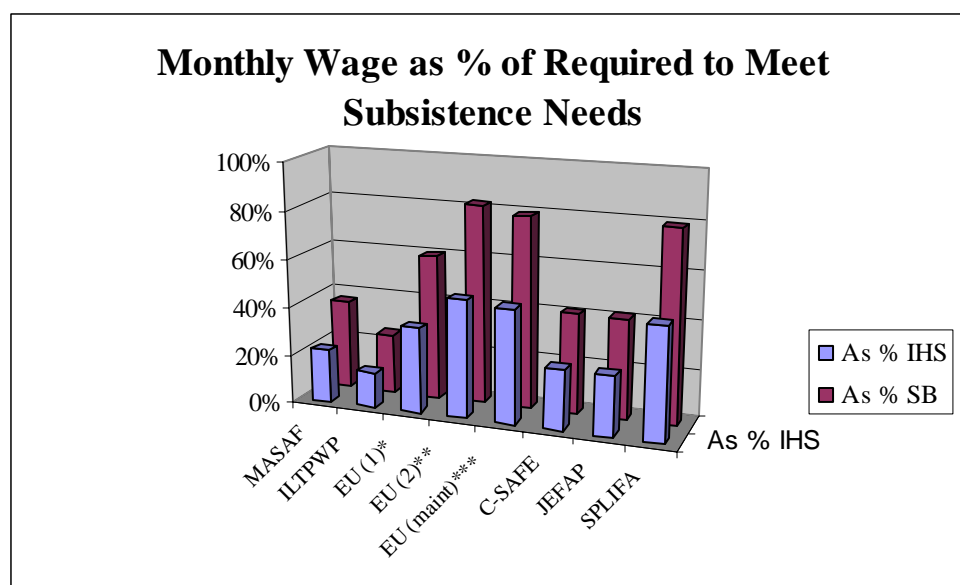
**Figure 3**

\* Minimum EU wage rate

\*\* Maximum EU wage rate

If considered in monthly terms, the returns to each programme in relation to the required wage are different, as the number of days worked each month varies across programmes, see figure 4.

<sup>41</sup> See table 2 for details of the EU road maintenance programme.



**Figure 4**

\* Minimum EU wage rate

\*\* Maximum EU wage rate

\*\*\* EU road maintenance wage rate (10.5 days work per month)

On a monthly basis only the EU maintenance programme, C-SAFE and SPLIFA approach the Subsistence Basket requirement, and none provide more than 50% of the income required to meet the IHS poverty line. Since SPLIFA offers income (in the form of inputs) for only one month, only the C-SAFE and EU programmes can be considered to be approaching an appropriate wage rate in terms of the subsistence objective of PWP interventions. The MASAF programme meets only 22% and 37% of the total monthly required subsistence wages.

#### **4.7 The Wage Rate and Livelihoods Promotion**

The discussion so far has focussed on the wage required to meet basic food and non food household consumption requirements only. An 'increment' to support livelihoods promotion has not been added to the wage rates. The reason for this is that if i) the wage rate is set in line with the levels recommended above, and ii) the design and implementation concerns outlined above are addressed, (ie PWPs provide regular income over a prolonged period for the most vulnerable and wages are paid timeously), the labour market position of participants will be significantly improved along with their potential livelihoods performance. The secure and regular income should enable workers to diversify out of low return economic activity, and into work with higher returns, thereby releasing labour for increased own production or other livelihoods activities. The regular income would also facilitate the purchase over time of household assets, and subsequently productive assets, and allow consumption smoothing to optimise household consumption patterns, while also providing a form of collateral against which credit may be accessed on more preferable terms. Together these impacts would enable the low return activities of the PWP workers to be replaced by activities with higher returns, and hence provide the potential for livelihoods promotion. However, from an economic perspective this is only possible if the wage rate is sufficiently high, wages are timeously paid, and the duration of employment prolonged. Without these additional programme

adaptions, the programme is unlikely to promote significant change in livelihoods (see section 5).

#### **4.8 Labour Market Considerations in Setting the Wage**

In order to fulfil household food and non food needs after taking own production into account, the analysis above suggests that monthly wage of between MK2,675 and MK4,275 is required for PWP workers, depending on which poverty line is selected, and if food needs alone are to be addressed, the requirement falls between MK2,075 and MK2,900. In order to maintain its 2001 value the monthly rate must be no lower than MK1404. Hence there is a wide range within which a revised PWP wage level could be located.

In order to identify an appropriate wage level, these figures need to be reviewed in the context of the Malawian labour market, in order to ensure that they are not inconsistent with prevailing wage levels and will not induce labour market distortion. With high un- and under-employment levels and poverty reaching over 60% of households, evidence shows that there is a demand for PWP employment even at the extremely low wage of the MASAF PWP (MK37). The relatively high PWP wage in comparison to Ganyu and low return activities such as firewood or grass collection makes PWP employment attractive to many who are currently actively engaged in the rural labour market.

However, since ganyu in particular is recognised to be an increasingly exploitative form of employment and has experienced falling returns (both food and cash) in recent years, largely as a response to increases in the number of workers seeking it, it is not problematic if PWP employment draws workers out of ganyu employment. The concentration of PWP employment in any one location is sufficiently small that it is unlikely to significantly affect ganyu wage rates, particularly in the light of the excess demand for ganyu employment. However, if it were to drive up the ganyu wage, this may simply compensate for the depreciation in the value of ganyu in previous years arising from the monopsony power of labour employers<sup>42</sup>.

Moreover, within the current range of PWP programmes there is an extremely wide range of wages, however, significant labour market impacts have not been observed, in terms of labour migration in search of PWP employment or increased wages in other agricultural sectors. This suggests that increasing the PWP wage above the prevailing rural norms in order to meet safety net objectives may not be problematic. This is particularly true if those in labour constrained households are targeted, as they tend not to be mobile, and are likely to be attracted primarily from alternative employment in ganyu and low return individual activities (gathering firewood etc), rather than more remunerative sectors of the rural economy.

It would be inappropriate to select a PWP wage which would be economically or socially disruptive, however the analysis above suggests that there may be space for setting a wage which can have the desired livelihoods function for the target group.

---

<sup>42</sup> In India the Maharashtra Employment Guarantee Scheme, was credited with driving up the extremely low unskilled agricultural wage rate during the 1980s (see Dev 1995).

In terms of arguing that the PWP wage rate should be kept low in order to perform a targeting function (on the basis of 'less eligibility'), even a wage level of MK37 is unable to perform this function adequately, as there is evidence that PWP employment is attractive to the less poor as a form of secondary income for households which are not labour constrained (CARE 2003 and 2004). This underscores the fact that wage alone is not a sufficient mechanism to ensure the participation of the poorest, and that explicit poverty targeting is required to ensure that intended members of the community can access employment, in line with programme objectives.

So, since labour market conditions are currently able to absorb a wide range of PWP wage rates without evidence of distortionary effects, it is possible to consider a range of revised MASAF wage options without fear of labour market disruption. However, it remains appropriate to be sensitive to prevailing wage norms, and political and economic realities, in addition to programme objectives in proposing a revised rate.

#### **4.9 The Prevailing Wage Rate**

The prevailing wage rate for episodic forms of informal employment in the agricultural sector are extremely low, with ganyu returns ranging from a plate of food (MK20) to MK50 or MK70 per task<sup>43</sup>. Also returns for tenancy and contract work in the sector fall significantly below the range of PWP wage rates required to meet basic subsistence needs outlined in 6 above.

However, it would not be appropriate to set a PWP wage considerably below the level required for household subsistence given the objectives of the programme, and for this reason it is necessary to explore wages in the rural sector in more detail. Zgovu (2000) developed the term 'agricultural monthly wage' employment, to distinguish less exploitative and more secure forms of agricultural employment from ganyu and tenancy employment.<sup>44</sup> In the absence of information on the current value of this wage, the 2000 wage may be inflated to 2004 prices, in which case it would provide a monthly wage of approximately MK2,400.<sup>45</sup> Qualitative research suggests that current unskilled rural wages in the construction and agriculture sector range between MK1,500 and MK2,000 per month, with rural construction workers earning MK1600<sup>46</sup>, and the WFP reported average daily wage rates of MK75 for men and MK52 for women (although these are not exclusively rural figures). These figures indicate that a PWP wage of approximately MK2,000 per month, required to ensure that subsistence needs are met (see table 9), may not be inconsistent with remuneration in the rural monthly wage sector.

---

<sup>43</sup> This has been widely documented, see for example CARE 2003 and 2004.

<sup>44</sup> See attached Technical Report for more details.

<sup>45</sup> It is important to note that this is an indicative figure only, since it is not known whether 'monthly wage' agricultural employment has kept pace with inflation, unlike other agricultural employment.

<sup>46</sup> See attached Technical Report for more details.

**Table 9: Monthly and Daily Wage Requirements to meet Subsistence Needs**

	IHS (MK)		Subsistence Basket (MK)	
	Monthly	Daily	Monthly	Daily
<b>Food</b>	2,900	116	2,075	83
<b>Food &amp; Non Food</b>	4,275	171	2,675	107

While the IHS requirement falls significantly above the prevailing wage for ‘monthly waged employment’, there is considerable overlap with the Subsistence Basket requirement. There is also consistency between the reservation wage of PWP workers, see table 10, and the remuneration levels required to satisfy the Subsistence Basket income requirement.

**Table 10: Daily Reservation Wages reported among MASAF-ILTPWP Workers**

	Reservation Wage	
	Male	Female
<b>Minimum</b>	50	40
<b>Maximum</b>	150	100
<b>Mean</b>	99	83

Source: CARE Central region Wage Rate Study Survey Nov 2003

The figures discussed above indicate that a monthly PWP wage rate of approximately MK2,000 would not be inconsistent with the wage available to those able to access rural ‘wage employment’, it would enable workers to meet the basic needs of their households according to the Subsistence Basket estimate of needs, and would also be in line with the reservation wage of the workers themselves.<sup>47</sup>

#### **4.10 Wage Recommendation.**

In the light of the discussion above it is proposed that agencies implementing public works programmes should consider adopting a wage rate of between MK83 and MK107 per day if they are to achieve the objectives of sustained poverty reduction and livelihoods promotion.

These figures fall significantly below the wage suggested by the IHS poverty line, however they should be adequate to ensure that basic subsistence needs of participating households are met, since they are based on the costing of a basket of goods which would provide adequate calorie intake for a household of 5.6 members.

This should be seen as an interim wage level, pending a survey-based costing of the basket of goods required to satisfy minimum consumption needs in Malawi, which should be carried out to verify the inflated IHS poverty line.

The wage should be reviewed each year in line with rural inflation rates.

<sup>47</sup> This level of remuneration is also in line with the CRIMP wage, if inflated to 2004 values (MK80). At this level of remuneration workers reported significant individual saving and investment in productive assets.

Regional wage rates may be adopted, following the spatial price variation outlined in table 3 above. It is not likely that this will have a distortionary impact on the labour market.

If the minimum wage, set in 2001 were inflated to 2004 prices the resultant wage of MK54 would be unlikely to meet even basic subsistence needs, or to lead to sustained livelihoods benefit.

The livelihoods benefits anticipated for the recommended wage rate will only be realised if the associated design and implementation issues are also adopted (see Sections 5 & 6).

## **5 THE PWP WAGE AND PROGRAMME DESIGN**

### **5.1 Programme Objectives**

As mentioned in Section 3, PWPs are an important component of social protection strategies, but it is important to clarify their explicit policy objectives at the design stage. PWPs tend to fall into three categories which may be defined in terms of their objectives;

- To give relief in times of acute labour market crisis to people whose livelihoods have been affected by, for example, conflict or natural disaster.
- To supplement household incomes during cyclical periods of food insecurity resulting from, for example, seasonal fluctuations.
- To alleviate poverty and improve livelihoods in situations where poverty is chronic. These programmes tend to offer prolonged employment.

PWPs in Malawi tend to fall into the first and second categories, being short term programmes addressing food security problems caused by drought and seasonal fluctuations. However, given the chronic nature of poverty in Malawi, the third category of PWP is appropriate if the objective is to promote improved livelihoods and sustained poverty reduction. MASAF's objectives refer to the third category,<sup>48</sup> but design and implementation features of the programme, including the wage rate, have prevented this objective from being achieved. There is therefore a mis-match between policy objectives and programme design and implementation.

This section and the next examines key factors which have prevented poverty reduction through livelihood promotion from being achieved in current programmes in Malawi, and sets discussion of the PWP wage in the context of broader programme design and implementation issues. These may be summarised as:

---

<sup>48</sup> The objective of MASAF III is 'To improve livelihoods of the most vulnerable and marginalised groups in Malawi through productivity enhancement and increased self reliance.'

Design Issues	Implementation issues
<ul style="list-style-type: none"> <li>• Wage rates in relation to programme objectives</li> <li>• Household labour availability</li> <li>• Targeting to reach the poorest</li> <li>• Gender and PWP participation</li> <li>• Role of programme duration and seasonality</li> <li>• Role of IGAs and savings in relation to livelihood promotion</li> <li>• Donor support and co-ordination</li> </ul>	<ul style="list-style-type: none"> <li>• Timeliness of payments</li> <li>• Scheduling of works</li> <li>• Selection of infrastructure and locations</li> <li>• Maintenance</li> <li>• Institutional linkages</li> <li>• Monitoring and evaluation</li> <li>• DA capacity and decentralisation</li> </ul>

## **5.2 The Wage Rate in Relation to Programme Objectives**

In Section 3 it was suggested that if the PWP objective is livelihood promotion then the wage rate needs to be sufficient to meet basic food and non-food needs, and in this way to facilitate the protection of existing assets and acquisition of additional assets required for livelihood promotion. The PWP wage should be regarded as providing an ‘income floor’ that will enable people to survive and develop a livelihood which may have the potential to take them out of poverty.

Research indicates that whilst a low wage rate may keep those that are not poor out of the programme, it may also result in lower earnings being transferred to the poorest and most needy households, and as a result may have little impact on poverty reduction (see for example Devereux 2000). These households continue to live on the margins of survival, with no opportunity to build an asset base or develop a sustainable livelihood. The wage rate should therefore be considered from the point of view of whether it is sufficient to enable poor rural households to save and make productive investment, which may contribute to long-term economic growth.

In Malawi the experience of CRIMP has shown that a higher wage rate does generate more diversified and value-added productive investment and livelihood enhancement, including the employment of others. Furthermore, these benefits have been sustained beyond programme completion, and have led to some workers attaining higher remuneration from IGAs six months after programme completion, than they earned from their PWP income.<sup>49</sup>

- ***RECOMMENDATION: For PWPs with the objective of livelihood promotion the wage rate must be sufficient to meet basic food and non food needs.***

<sup>49</sup> CRIMP Contract Association Livelihood Monitoring Report: Post-graduation, June 2002. CARE Malawi

### **5.3 Household Labour Availability**

As discussed in Section 3 the PWP income has a differential impact on livelihoods according to the amount of adult labour that is available to participate. For households with two or more economically active adults the income from PWPs is likely to be secondary or complementary to income that can be obtained from other sources. For households with only one adult capable of working, however, the income from PWP is likely to be their main source of income.<sup>50</sup>

In the absence of PWPs, 'single adult households' are most likely to have limited access to income, and to derive their income from low return activities requiring little capital. Hence this reason this group would benefit highly from regular PWP employment, which could be expected to have a significant impact on household livelihoods. The term 'single adult households' is most likely to refer to female headed households, but we are also including other households which might be labour constrained, for example where HIV/AIDS is having a serious impact on households' labour capacity in two-adult households where one is chronically sick and the other is caring for them; also young male adults who are still trying to attend school as well as take responsibility for a household of younger siblings. It should be noted however that some households will face labour constraints that will inhibit their ability to participate in PWPs. For this group other forms of safety net interventions, which are not conditional on labour inputs, would be most appropriate.

- ***RECOMMENDATION: Single adult households should be targeted for participation in PWPs, and the limited availability of labour in participating households should be taken into account in programme design.***

### **5.4 Targeting to Reach the Poorest**

There are four types of targeting which may be used together in different combinations:

- ***Self-selection:***  
It is assumed that by keeping the wage rate low (below the market rate) only the poorest will apply. In this way PWP participation will take place through self-selection on the principal of 'less eligibility' whereby a low wage will exclude the non-poor. However, this targeting method is problematic when the majority of the population are living beneath the poverty line.

Self-selection is the method most commonly used in Malawi and elsewhere. It is the cheapest and simplest form of targeting but a possibility capture by the non-poorest remains. The fieldwork conducted for this study indicated that households with two or more adults are attracted to participate in PWPs, whereby one can join the PWP and the other can work their own land, seek alternative casual labour (ganyu), and pursue alternative economic activities.

---

<sup>50</sup> Please note that although the term 'single adult households' is most likely to refer to female headed households, other households which might face labour constraints, for example two-adult households where one is chronically sick, and child headed households, are also included in this term.



In this way the income from the PWP is seen largely as a secondary income<sup>51</sup>. Conversely, the very poor, who are usually single adult households for whom labour is a major constraint, have to manage a PWP task as well as their household responsibilities, working their own land, seeking ganyu and pursuing other income generation activities.

Although programmes in Malawi aim to take on an equitable proportion of women, there is evidence that in programmes implemented through private contractors, supervisors may give preference to young men who are able to complete tasks more quickly, and in this way to speed contract completion and therefore increase profits.<sup>52</sup>

- **Community targeting:**  
This method involves community selection of those who should receive PWP employment, often using criteria related to poverty. It is used in Malawi by the MASAF-ILTPWP, with community based facilitators appointed to conduct open meetings at which it is decided communally who should participate by means of wealth ranking exercises. This method is most likely to ensure the participation of the poorest, and sits best within the PWP given the objectives of poverty targeting. However, it is demanding in terms of time and skills.
- **Geographical targeting:**  
This involves implementing PWPs in areas where poverty is most severe. In Malawi locations for PWPs have in part been chosen as a result of the Vulnerability Assessment Mapping (VAM) process, although this process has been affected by political considerations and demand from areas which have not been designated as having the greatest concentration of poverty.
- **Demographic targeting:**  
This involves the selection of groups of people with a specific characteristic as PWP employees, for example, all households affected by closure of a company, or landless or unemployed youths. In Malawi, although there has been a concern to ensure that women are equally represented in programmes, this method of targeting has not been used explicitly.
- **RECOMMENDATION: PWPs should adopt community targeting with the aim of ensuring the poorest households are prioritised.**

## **5.5 Gender Issues Related to PWPs**

Gender issues need to be addressed in the design of PWPs if they are to achieve poverty reduction and improved livelihoods amongst the poorest. The double-hardship of the labour constraints faced by single adult heads of households, who have to combine household duties, ganyu and PWP in order to survive, applies

---

<sup>51</sup> The MASAF ILTPWP baseline study (July 2003) also reported similar findings. Those recruited on a first come first served self-selection basis were found to be wealthier and have more adult labour available than those recruited through community based poverty targeting processes.

<sup>52</sup> Findings of focus groups conducted as fieldwork research for this study, in May 2004

particularly to women, who are further disadvantaged by traditional land allocation systems, the lower wages paid for female ganyu, and their inability to travel far to look for better paid work. Also, as mentioned earlier, it has been found women's earnings are less than men's even for the same tasks, for example average daily wages for casual work for men are MK75 and compared with MK52 for women.<sup>53</sup>

The PWP needs to integrate women on more flexible terms, for example with households being able to share tasks, projects being based close to workers' homes, and the provision of child care. Options for providing child care facilities on site should be investigated, and the provision of these facilities could be a daily 'paid task' in itself. The issues may apply to child-headed households who need to combine PWP with household duties and schooling, and two-adult households where one is chronically sick.

- **RECOMMENDATIONS:**
- ***Female headed households should comprise the majority of programme participants since poverty and labour constraints are concentrated in these households.***
- ***Programmes should take into account the reality of women's multiple responsibilities.***

## **5.6 Programme Duration and Seasonality Issues**

Duration of the programme is another critical design factor. Participation in a PWP for 3-6 months is insufficient for workers to acquire productive assets and establish alternative, secure and sustainable livelihoods. Indeed short duration was found to be one of the reasons why some PWPs in South Africa failed to achieve significant or sustained benefits for workers (McCord 2004). Participants in all the focus groups for this study said they preferred to work on PWPs rather than ganyu or other forms of episodic employment even if the wage was lower, because of its sustained nature over a period of time.

Experience from the CRIMP suggests that the ideal programme length is 18 months, in terms of promoting sustained livelihood improvements. This enables participants to build up basic household assets and buy fertiliser for the planting season in Year 1, which results in food stocks lasting several months longer the following year and enables them to focus on developing IGAs that will become their income mainstay after completion of their participation in the PWP.<sup>54</sup>

- ***RECOMMENDATION: The duration of PWPs should be extended to 18 months to ensure support over two planting/hungry seasons.***

---

<sup>53</sup> Community and Household Surveillance, February 2004

<sup>54</sup> CRIMP op cit.

## **5.7 The Role of IGAs and Savings in Relation to Livelihood Promotion**

Workers on PWPs like to make voluntary savings either on a group or individual basis. Those who participated in the fieldwork for this study said they were not able to make voluntary savings from the present wage rate, but that they would like to do so in order to buy fertiliser and restore their household assets.<sup>55</sup>

- ***RECOMMENDATION: PWPs should include components which facilitate saving and the development of income generating activities.***

## **5.8 Donor Support and Co-ordination**

Several donors are involved in the funding and implementation of the Government of Malawi's National Safety Net Strategy and MASAF PWPs. There is need for greater co-ordination amongst donors in the planning and implementation of their inputs to ensure that there is not duplication in their work with government departments and District Assemblies, and to ensure that unnecessary burdens are not placed on the DAs through inconsistent programme design, objectives and administration. The Safety Nets Unit should take on the role of co-ordination of this process of co-ordination and rationalisation

- ***RECOMMENDATIONS:***
- ***Donors need to harmonise processes and norms in order to prevent multiple demands on DAs***
- ***The objectives and design of PWPs should be reviewed in order to reduce the gap between rhetoric and impact***

## **5.9 Design Conclusions**

Experience and best practice from around the world suggests that if the above design factors are given consideration, PWPs can contribute to livelihood development and productivity enhancement.

---

<sup>55</sup> Ibid, also findings of focus groups conducted as fieldwork research for this Study, May 2004. The CRIMP experience was many workers made voluntary savings when their total income reached MK80 a day (at 2004 prices), and it was these voluntary savings which enabled many to survive through the drought.

## **6 THE PWP WAGE AND PROGRAMME IMPLEMENTATION**

### **6.1 Timeliness of Payments**

Delays of up to three months have occurred in making payment to MASAF workers. The consequences may have been less severe for men as they had more opportunities for ganyu and could travel further in search of work, but women workers have been forced into debt by these delays, facing “chigoboza”, or credit for food purchase at rates of 50% interest. Workers on the MASAF ILTPWP explained that this meant that when they got their savings they expected most of it to be spent on repaying their debts and interest<sup>56</sup>. This undermines the positive impacts of the programme. There needs to be a shift to regular payments as a matter of urgency, and as a non-negotiable first step to addressing poverty reduction.

- ***RECOMMENDATION: Payments to workers must be made regularly and on time***

### **6.2 Scheduling of Works**

Works should be scheduled to coincide with seasons of hunger and planting. The tendency has been for programmes to be scheduled in line with the road building calendar and priorities, rather than the needs of the poor. Surveys have found that workers aspired to have capital or savings to use at particular times of the agricultural year, in order to buy fertiliser and seeds, and to be able to feed themselves over the hungry period whilst they also worked their own land, rather than being forced to seek ganyu.<sup>57</sup> It is critical the programme implementation schedules reflect these needs if the developmental objectives of the PWP are to be met.

- ***RECOMMENDATION: Work should be scheduled to coincide with seasonal needs of workers.***

### **6.3 Selection of Location and Infrastructure**

Projects should be implemented in areas where poverty is most serious, and should include not only roads, but also other forms of infrastructure, for example, bridges or irrigation systems, according to needs identified by communities. Prioritisation of assets should be carried out using the District Development Plans, especially since it will be necessary to undertake multiple projects in an area if programmes are to be of longer duration. Poverty targeting may entail a movement away from the main centres of population and road lines. While this may add to the cost of programmes it is critical if programmes are to be inclusive of those living in more remote areas. In areas where roads have already been rehabilitated, there may be a need to identify additional infrastructure projects suitable for PWP construction such as bridges and

---

<sup>56</sup> Findings of focus groups conducted as fieldwork research for this study, May 2004

<sup>57</sup> CRIMP Contract Association Livelihood Monitoring Report, Post-graduation, June 2002, CARE Malawi. Other surveys conducted by CARE and the focus groups conducted as fieldwork research for this study, May 2004 also confirm these findings.

irrigation systems. In all cases the local population should be consulted and account taken of their priorities and needs.

The quality of the infrastructure produced through PWP is also important in terms of its contribution to long term development in Malawi, this should not be considered secondary to the employment objectives of programmes.

- ***RECOMMENDATION: The selection of areas for PWP implementation should be informed by the poverty of the area, and PWPs should include a range of infrastructure projects that meet the needs of local communities in line with DDPs.***

#### **6.4 Maintenance of Infrastructure**

If infrastructure rehabilitated/constructed through PWPs is to be of lasting benefit to communities and to generate wider economic opportunities, it is necessary to include plans for maintenance in the design stage. District Assemblies take responsibility for maintenance once rehabilitation is complete, but currently they allocate only limited funds for these purposes, and consequently PWP infrastructure tends to deteriorate once constructed. It would be preferable for assets such as roads to be regularly maintained, thereby offering ongoing (part time) employment opportunities.

Only the EU programme has established a system for maintenance. This is based on the formation of groups by former PWP workers who work together to carry out the maintenance contract, as a form of group income generating activity. It is recommended that maintenance should become a feature of the design of future PWPs, and that female headed households are given priority as this task could be incorporated around their other responsibilities. The groups could follow the CA model, receiving training and support for saving in order to develop IGAs. In this way the PWPs could create sustainable employment.

- ***RECOMMENDATIONS:***
- ***Maintenance of infrastructure should become a feature of the implementation of future PWPs, funded by agencies through the DAs.***
- ***Maintenance groups should be formed on the CA model, with priority given to female household heads***

#### **6.5 Institutional Linkages and Incentives**

MASAF ILTPWP workers requested contact with micro finance and other business support organisations in order to build on the enterprise training they received during the programme, and maximise usage of their savings. Drawing on the lessons of CRIMP, and programmes in South Africa (McCord 2003), it is apparent that a supporting network of linkages with appropriate institutions can make a positive contribution to livelihood promotion.

When PWPs are implemented by private contractors, there is evidence, both in Malawi and internationally (McCord 2004), that the poor are less likely to be targeted. For this reason incentives, supported by explicit contract conditions, are required to ensure that profit based private sector interests do not undermine the objectives of PWPs at the implementation phase.

- **RECOMMENDATIONS:**
- ***Institutional linkages should be established in order to give workers access to complementary development initiatives in their areas, such as microfinance or IGA training, which would maximise their opportunities to achieve improved livelihoods.***
- ***Incentives and contract conditions should be used to ensure private contractors recruit the poorest into PWPs***

## **6.6 Monitoring and Evaluation**

The major PWP implementing agencies have developed detailed beneficiary tracking systems in order to assess the impact of programmes. It is important for these to be maintained and for DAs to be trained in their use. There is a need to ensure that these systems include data which will enable quantitative, as well as qualitative analysis of impacts, and which will inform a current understanding of the labour market in Malawi. It is also appropriate that the resulting reports are widely circulated and discussed within the communities providing labour to the PWPs as well as among implementing agencies and donors, so that lessons can be learnt from the various programmes and taken into account in design of future programmes.

- **RECOMMENDATIONS:**
- ***Monitoring and Evaluation systems should be extended to include the collection and analysis of participatory and quantitative data that can be used to inform future programme design***

## **6.7 DA Capacity and Decentralisation**

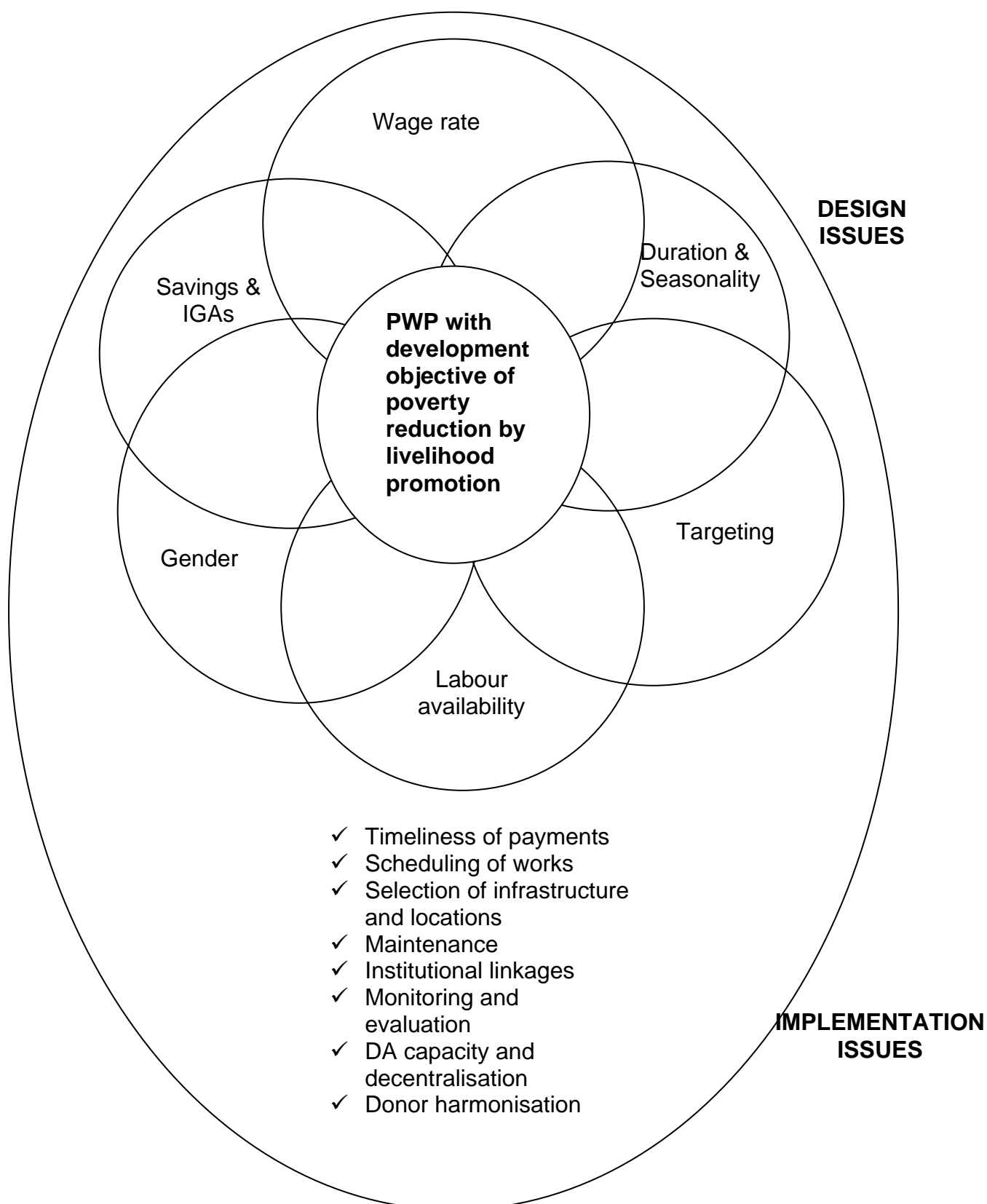
The capacity of District Assemblies is critical to effective implementation of PWPs. In particular they need to be able to take forward work in the following areas;

- Increased community targeting in order to ensure the poorest participate, which implies training and supervision of village level community based facilitators
- Linking PWPs into the District Development Plans for the selection and planning of rehabilitation and maintenance activities

- PWP implementation, particularly regarding timeliness of payments, and the scheduling of work to ensure it also takes account of the seasonal needs of workers
- Asset selection linked to poverty targeting to ensure that poorer areas receive the greatest input under the programme
- Working with donors to ensure the harmonisation of both PWPs and institutional support programmes in terms of design and implementation
- The Safety Nets Unit should co-ordinate capacity building programmes at District level and prioritise support that enables them to effectively manage PWPs on the lines set out above.
- **RECOMMENDATION: The Safety Nets Unit should co-ordinate donor capacity building programmes at District level and prioritise support that enables them to effectively manage PWPs on the lines set out above. They should also encourage donors to harmonise PWP design, administration and implementation procedures.**

The holistic approach to PWP programme design outlined above is summarised in the diagram on the following page.

## **PWP DESIGN & IMPLEMENTATION IN RELATION TO LIVELIHOOD PROMOTION**





## **7 CONCLUSIONS AND RECOMMENDATIONS**

The implication of this report is that fewer people will be engaged on PWPs as a result of the proposed higher wage and extended duration of employment. However, international experience shows that these design features are more likely to lead to long term livelihood improvement than short term low paid PWP employment.

### **7.1 Summary of Wage issues and Wage Recommendation.**

- Agencies implementing PWPs should consider adopting a wage rate of between MK83 and MK107 per day if they are to achieve the objectives of sustained poverty reduction and livelihoods promotion.
- These wages would be adequate to ensure that basic subsistence needs of participating households are met
- This represents an interim wage level, a survey-based costing of the basket of goods required to satisfy minimum consumption needs in Malawi is required to confirm these figures.
- The wage should be reviewed each year in line with rural inflation rates.
- Regional wage rates may be adopted; it is not likely that this will have a distortionary impact on the labour market.
- If the current minimum wage were inflated to 2004 prices the resultant wage of MK54 would be unlikely to meet even basic subsistence needs, or to lead to sustained livelihoods benefit.
- The livelihoods benefits anticipated for the recommended wage rate will only be realised if the associated design and implementation issues are also adopted.

### **7.2 Summary of Design and Implementation issues:**

- Single adult households should be targeted for participation in PWPs.
- The length of PWPs should be extended to 18 months to ensure support over two planting/hungry seasons.
- PWPs should adopt community targeting with the aim of ensuring the poorest households are prioritised in selection.
- Female household heads should comprise the majority of programme participants since their labour market position is the most marginal, and poverty is concentrated in these households

- Programmes should take into account the reality of women's multiple responsibilities.
- PWP programmes should facilitate savings schemes and the development of income generating activities.
- Donors should harmonise processes and norms in order to prevent multiple demands on DAs
- PWP objectives and design should be reviewed in order to reduce the gap between rhetoric and impact
- Payments to workers should be made regularly and always on time
- Work should be scheduled to coincide with seasonal needs of workers, and be flexible to accommodate the multiple responsibilities of women workers.
- Areas for PWPs should be selected according to poverty and include a range of infrastructure projects that meet the needs of local communities
- Maintenance of infrastructure should become a component of PWP
- Maintenance groups should be formed with priority given to female household heads
- Institutional linkages should be established between PWPs and other developmental initiatives (such as micro-finance and IGAs) in order to maximise livelihoods benefits
- Incentives and contract conditions should be used to ensure private contractors target the poorest as PWP employees
- PWP Monitoring and Evaluation systems should be extended to include the collection of participatory and quantitative data that can be used to assess livelihoods impact and inform future programme design
- The Safety Nets Unit should co-ordinate capacity building programmes at District level and prioritise support that enables them to effectively manage PWPs on the lines set out above.
- **The Safety Nets Unit should take responsibility for taking forward these recommendations and promoting consistent PWP design and implementation.**

## ANNEXE A



### MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT

#### CONSULTANCY SERVICES FOR A STUDY TO DETERMINE THE CRITERIA FOR SETTING APPROPRIATE WAGE RATE FOR THE PUBLIC WORKS SAFETY NETS PROGRAMMES IN MALAWI

##### **Introduction**

The Malawi Government, with assistance from the Department for International Development (DFID) of the Government of the United Kingdom, is implementing an Inception Phase for the National Safety Nets Programme (NSNP). The NSNP constitutes Pillar III of the Malawi Poverty Reduction Strategy (MPRS). The overall goal of the Malawi National Safety Nets Programme is to improve the livelihoods of the most vulnerable and marginalised groups in society by enhancing their productivity thereby increasing their self reliance through such programmes like the Public Works Programme (PWP) and the Targeted Inputs Programme.

Public Works Safety Nets Programmes in Malawi have demonstrated their potential to improve productive infrastructure, to leverage additional economic opportunities and increase household incomes. There has been an increased demand for PWP programme activities in light of deteriorating livelihoods. There is, however, a growing concern regarding low wage rates from various quarters in the country that has not fairly been addressed due to lack of a thorough economic analysis of the situation to ascertain the extent of the problem.

##### **Scope of the Assignment**

The National Safety Nets Unit which is charged with the responsibility of coordinating the implementation of the NSNP would like to conduct a study to determine the criteria for setting appropriate wage rate for the PWP in Malawi. This study is commissioned by the National Safety Nets Unit in conjunction with the Malawi Social Action Fund (MASAF), Care Malawi, the World Bank and the Department for International Development (DFID).

The objectives of the study are to develop a replicable and robust process with clear criteria for determining an appropriate wage rate; provide recommendations for a revised wage level; review the evolution of public works safety nets programmes in Malawi and recommend revised objectives that better defines the current status of these programmes within the context and the need to address longer term livelihood promotion.

## Specific Terms of Reference

The specific terms of reference for the consultancy are to:

- develop and agree on a detailed action plan for the duration of the assignment including specific tasks and their duration;
- conduct consultations with key informants and stakeholders to solicit input into the research;
- review national and international literature and the MASAF impact studies to highlight lessons regarding the duration of employment in relation to wage including the review and reference to Central Region Infrastructure Maintenance Programme (CRIMP) impact studies;
- identify the basket of goods, and their cost required to meet basic monthly calorific consumption needs, on both an individual and household basis;
- identify a set of basic goods and services, and their cost, of an individual and household on a monthly basis in terms of food, clothing and shelter;
- ascertain the monthly income required to purchase a set of goods on an individual and household basis which should include any regional and seasonal variations in the cost of the basket within Malawi;
- review the current levels of income in the absence of Public Works Programmes, i.e. formal and non formal wage income and subsistence production levels of the poor and ultra-poor and assess regional and seasonal; variations of such income;
- ascertain to what extent the income provided through public works safety nets employment meets the existing income gap for the groups participating in public works safety nets programmes;
- assess the role the wage rate plays in addressing the objectives of Public Works Safety Net Programmes (both past and present) that incorporate (d) value added livelihood promotion and investment opportunities, and the extent to which these objectives were or were not achieved and why;
- document non wage inflation from 2000 to date with particular reference to the basic basket of goods and services;
- review and document the process of determining the minimum wage in Malawi, including the criteria used and any formulae used;
- document the process for determining the current Government, MASAF, Care Malawi and other wage levels, including criteria used and formulae developed;
- prepare criteria to guide the setting of the wage rate for PWP with possible reference to different programme objectives, if and where appropriate;
- highlight the implications that an upward adjustment of the wage rate would have on targeting and make recommendations on how to refine the targeting process to suit the objectives of the public works safety nets programmes;
- provide recommendations for a revised wage rate and propose implementation modalities that will ensure that the PWP achieve the intended objectives, and make appropriate recommendations towards the Government minimum wage where applicable; and
- hold a workshop to share the findings and agree on the way forward for all players engaged in Public Works Programmes.

## **Qualifications**

The individuals should be those with experience in issues of safety nets in general and Public Works Safety Nets in particular in Malawi, within the region and internationally. They should hold a minimum of a masters degree in economics and social science and at least one specialist in wage rates determination. Those with previous similar engagements on wage rates determination will have an added advantage.

## **Proposals**

The Ministry of Economic Planning and Development invites eligible consultants to submit their application letters together with detailed curriculum vitae, stating their qualifications and experience as well as names and addresses of three traceable referees.

## **Expected Outputs and Performance**

- A replicable and robust procedure with clear criteria for determining an appropriate wage rate; and
- A review of the evolution of public works safety nets programmes in Malawi and recommended revised objectives that better defines the current status of these programmes within the contract and the need to address longer-term livelihood promotion.

## **Location and Duration**

The consultancy will be based in Lilongwe with visits to some parts of the country, and will take thirty (30) working days.

## ANNEXE B

### Tables Used in Economic Analysis

#### Calculation of MK Value of JEFAP & SPLIFA Monthly Food Wage

Provision for household of 5 = 50 kg maize @ MK17 and 5kg beans @ MK 40					
Monthly Individual Requirement					
Maize (kg)	Unit Cost	Beans	Unit Cost	Total cost	5 person household
10	17	1	40	210	1050

#### Cost of Subsistence Basket of Goods, Calculated on the basis of the 1998 IHS and inflated to 2004 costs

	1998 Prices		Non-food*	2004 Prices	
	Poverty Line	Food		Poverty Line	Food
South Rural	7.76	6.53	1.23	24.11	20.29
Central Rural	9.27	7.76	1.51	28.80	24.11
North Rural	11.16	8.9	2.26	34.68	27.65
Urban	25.38	16.95	8.43	78.86	52.67
National	10.47	7.85	2.62	32.53	24.40

#### Cost of Individual Daily Food Requirement at inflated IHS prices

	Daily	Monthly	Family of 5.6
2004	24	732	4099

#### Cost of Individual Daily Food and Non Food Requirement at inflated IHS prices

	Daily	Monthly	Family of 5.6
2004	33	976	5465

#### Inflation 1998-2004 and 2001-2004

Years 1998-2003 calculated using the rural CPI, and 2004 using CARE Cost of Living Allowance Tables

	1998-2004	Inflation Rate	2001-2004	Inflation Rate
	Index		Index	
1998	100			
1999	140.58	41%		
2000	175.90	25%		
2001	211.78	20%	100.00	
2002	241.33	14%	113.95	14%
2003	263.32	9%	124.34	9%
2004	310.72	18%	146.72	18%

### Costing the Monthly Subsistence Basket Poverty Line

Commodity	kg/day	kg/month	per hh (5.6)	2004 unit price	Total cost
Maize	0.45	13.5	75.6	17.5	1323
Pulses	0.06	1.8	10.08	69	696
Oil	0.025	0.75	4.2	160	672
Sugar	0.02	0.6	3.36	55	185
Salt	0.005	0.15	0.84	50	42
<b>Total</b>					2917

Derived from WFP ration requirements

### Daily Wage as Percentage of Wage Required to Meet Household Subsistence Needs

Programme	As % of IHS	As % of SB
MASAF	21%	34%
ILTPWP	14%	22%
EU (1)*	34%	54%
EU (2)**	47%	75%
EU (maintenance)***	112%	180%
C-SAFE	31%	49%
JEFAP	31%	49%
SPLIFA	58%	93%

\* Minimum EU wage rate

\*\* Maximum EU wage rate

\*\*\* EU road maintenance wage rate (10.5 days work per month).

### Monthly Wage as Percentage of Wage Required to Meet Household Subsistence Needs

Programme	As % of IHS	As % of SB
MASAF	22%	37%
ILTPWP	15%	25%
EU (1)*	35%	60%
EU (2)**	49%	83%
EU (maintenance)***	47%	79%
C-SAFE	25%	42%
JEFAP	25%	42%
SPLIFA	47%	79%

\* Minimum EU wage rate

\*\* Maximum EU wage rate

\*\*\* EU road maintenance wage rate (10.5 days work per month).

## APPENDIX C

### LIST OF KEY INFORMANTS

Mr. E. Karonga	Africare
Mrs. M. Mzungu	Africare
Mr. F. Lwanda	CARE International Malawi
Mrs. M. Masso	CARE International Malawi
Mr. H. Khonyongwa	CARE International Malawi
Mr. N. Osborne	CARE International Malawi
Father Kupens	Centre for Social Concern
Mr. Mwale	Concern Universal, Dedza
Miss. J. Kuyera	Concern Universal, Dedza
Mr. L. Kawenda	CPAR
Mr. A. Chigona	Emmanuel International
Mr. F. Joubert	GoM/EU PWP Programme Management Unit
Mr. C. Beukes	GoM/EU PWP Programme Management Unit
Mr. T. Mohoney	GoM/ EU Public Works Programme
Mr. J. Changunda	Malawi Rural Travel and Transport Programme
Mr. S. Chirambo	Malawi Rural Travel and Transport Programme
Mr. Lwanda	Malawi Rural Travel and Transport Programme
Mrs. I. Manjolo	Malawi Social Action Fund
Mr. C. Mandala	Malawi Social Action Fund
Mr. M. Kajumi	Malawi Social Action Fund
Mr. J. Wachepa	Malawi Social Action Fund
Mr. V. Lungu	Ministry of Agriculture and Livestock Development
Dr. M. Kutengule	Ministry of Economic Planning and Development, Permanent Secretary
Mr. B. Ng'oma	Ministry of Labour
Mr. H. Mwamlima	National Safety Net Unit, MEPD
Mrs. L. Chikoti	National Statistics Office
Mr. M. Mbulanje	Mwanza District Assembly, Assistant Director of Planning
Mr. M. O. Chiphepo	Nkhata-bay, District Commissioner
Mr. H.H.C. Munthali	Nkhata-bay, Roads Supervisor
Mr. H. Chipeni	Nkhata-bay, Director of Planning
Mr. Jimusole	Salima Town Assembly, Director of Planning
Mr. D. Chinyanya	Salima District Assembly, Director of Planning
Mr. C. Rethman	Save the Children UK, Food Security Adviser



## ANNEXE D

### REFERENCES

- CARE Malawi (2003) *Getting the Wage Rate Right in Public Works Safety Net Programmes*, Lilongwe (mimeo).
- CARE Malawi (Nov 2003) *Outcomes from Wage Rate Survey*, Lilongwe
- CARE Malawi (July 2003) *Improving Livelihoods Through Public Works Programme (ILTPWP) – Baseline Report*, Lilongwe
- CARE Malawi (2003) *ILTPWP : Quarterly Report Oct 2003 – Dec 2003*, Lilongwe
- Community and Household Surveillance (CHS), (February 2004). Monthly Focus Group Findings, WFP Malawi.
- Dev S M (1995). India's (Maharashtra) Employment Guarantee Scheme: Lessons from Long Experience. Chapter 5 pp108-143, in von Braun J, (ed) [Employment for poverty reduction and food security](#), Washington, D.C. International Food Policy Research Institute.
- Devereux, S (1999) *Making Less Last Longer: Informal Safety Nets in Malawi*, Institute of Development Studies, UK
- Devereux S (2000). Social Safety Nets for Poverty Alleviation in Southern Africa. Institute of Development Studies.
- DFID (2003), *MASAF-ILTPWP – Output to Purpose Review, Nov 2003*, Lilongwe
- DFID (2004) *Project Memorandum for Support to an Inception Phase for the National Safety Nets Programme (draft)*, Lilongwe
- FEWS (February 2003). Food Early Warning System Report.
- Government of Malawi & European Union (January 2004) *Programme Description Document*, Lilongwe
- Government of Malawi (2002) *Malawi Poverty Reduction Strategy*, Lilongwe
- MASAF (2003) *MASAF III Beneficiary Assessment Report*, Lilongwe
- MASAF (2003) *Community Empowerment and Accountability*, Lilongwe
- McCord, A (2003) *An Overview of the Performance and Potential of Public Works Programmes in South Africa*, CSSR Working Paper no 49, School of Economics, University of Cape Town.
- McCord, A (2004) *Policy Expectations and Programme Reality: The Poverty Reduction and Employment Performance of Two Public Works Programmes in South Africa*, ODI Working Paper, forthcoming.
- National Economic Council (NEC) (2000) *Profile of Poverty in Malawi, 1998: Poverty Analysis of the Malawi Integrated Household Survey, 1997-98*, National Economic Council, Lilongwe
- National Economic Council (NEC) (2001) *Malawi: National Safety Net Programme – Programme Concept Document*, Lilongwe
- NEC (National Economic Council), NSO (National Statistical Office) and IFPRI (International Food Policy Research Institute) (2001) *The Determinants of Poverty in Malawi 1998: An Analysis of the Malawi Integrated Household Survey 1997-98*, Lilongwe

Study to Inform the Selection of an Appropriate Wage Rate for Public Works Programmes in Malawi, May 2004, (Chirwa, McCord, Mvula, Pinder)

Pinder, C (2001) *The Central Region Infrastructure Maintenance Programme: Qualitative Impact Study Volume I*, Report prepared for CARE Malawi, Lilongwe

Pinder, C (2003) *Economic Pathways, Draft Report* prepared for CARE Malawi, Lilongwe

Pinder, C (2002) *Gender Power Relations Study And The Impact Of Safety Nets In Malawi*, Report prepared for CRIMP Programme, CARE Malawi, Lilongwe

Pinder C, Mann G, Morse J (2002) *Poverty Assessment Review – Definitions and Indicators of Poverty in Malawi*, Report prepared for Training for Enterprise and Exports in Malawi Programme, Blantyre

Poverty Monitoring System (2000), Policy Brief no. 7, Poverty Alleviation Programme, Government of Malawi.

TANGO International (2003) *C-SAFE Malawi Baseline Survey: Report of Findings*, Report prepared for C-SAFE, Lilongwe.

World Food Programme (WFP), (2003) *Community and Household Surveillance Reports for Oct-Nov 2003, and Feb 2004*, Lilongwe

Zgovu, E. K. (2000) *The Dynamics of the Rural Labour Market in Malawi*, Report by Wadonda Consult prepared for the National Economic Council and Rural Economic Policy Research Centre, Lilongwe