

## THE ROLE OF LABOUR ADMINISTRATION SYSTEM SERVICES IN THE NATIONAL DEVELOPMENT PROCESS: THE CASE OF MALAWI

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### **Abstract**

This paper, using desk review and document analysis method, discusses the role of labour administration system services in the national development process. Labour administration services, theoretically, contribute towards the national development process but practically this is not the case in Malawi either because officials from the Ministry responsible for labour administration services are not effectively discharging their duties as required or government is not adequately financing the operations of the labour administration services. This paper establishes, that the focus of all the Malawi national development policy frameworks is the reduction of poverty levels amongst Malawians and growth in Gross Domestic Product (GDP); that the reduction of poverty levels could be a result of improved living standards of people that would be due to improved earnings or wages of the country working population resulting from effective implementation of labour administration services; that growth in GDP means that there is growth in the production of outputs, the process mostly influenced by labour (skilled) as one major factor of production. The paper, through such established linkages, concludes that labour administration services can play a great role towards the national development process. With this conclusion, it is thus justifiable to recommend that government's political will and commitment with respect to financing for the effective implementation of labour administration services is necessary and that Malawi government should prioritize the enforcement of labour standards through labour inspections and skills development process to improve compliance and workplace labour productivities respectively for improved GDP and economic growth.

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**Key words/phrases** are: Labour administration system, National development process, Gross domestic product, living standards, and Economic growth.

### **Introduction**

Every national development process is usually directed by Government's formulated and adopted strategic plans (the policy frameworks). These plans, that could be short, medium and long term plans, are documentary policies against which all government service deliverables are implemented in order to bring about the country's development in terms of a country's development desires that include economic growth among others. There are various government services undertaken by various government ministries and departments all of which contribute towards the government's set development goals. In this paper, the Ministry of Labour's roles, that is, labour administration services, have been discussed to show their critical contributions in the national development process in Malawi.

Labour administration services, theoretically, contribute towards the national development process but practically this is not the case in Malawi either because officials from the Ministry



responsible for labour administration services are not effectively discharging their duties as required or government is not adequately financing the operations of the labour administration services (see table 1 in the appendix page). The paper will first outline all labour administration services undertaken by the Ministry of Labour. Secondly, the paper will discuss the Malawi government's development strategic plans that have been used and are being used since independence in 1964. Finally the paper, with some data drawn from the government documentaries and other relevant literature, will illustrate to show the contributions of the outlined labour administration services towards the attainment of the development goals spelt out in the current 2011 – 2016 Malawi Growth and Development Strategy II (MGDS II) policy document.

### **Labour Administration Services**

The International Labour Organisation (ILO) Convention No. 150 – the Labour Administration Convention- and its associated Labour Administration Recommendation No. 158 define Labour Administration as “all the public administration activities in the field of National Labour Policy. National Labour Policy comprises of four main components namely: the employment promotion; labour protection; industrial relations and labour policy research.

The Public Labour Administration activities/services could be performed by a number of institutional bodies or departments within and sometimes outside Government Ministries or Departments of Labour. Such institutions collectively form what is known as Labour Administration systems. Ministries or Departments of labour do perform the labour administration activities in collaboration with other Government ministries or departments with complements from the private social partners – the employees' and employers' organisations.

### **Labour Administration Services in Malawi**

In Malawi, the Ministry of Labour is the Ministry directly responsible or mandated to formulate and implement the Malawi National Labour Policy that form all the major components of Labour Administration system as defined in the ILO's Labour Administration Convention.

The Ministry of Labour's mandates are stipulated in the laws of Malawi, in international conventions as well as in other legal instruments. The laws of Malawi include all those parliament labour legislative Acts which comprise the following: the Public Service Act, No. 19 of 1994; Labour Relations Act, No. 16 of 1996; Occupational Safety, Health and Welfare Act, No. 21 of 1997; Employment Act, No. 6 of 2000; Workers Compensation Act, No. 7 of 2000; Pension Act, No. 11 of 2011; and the Technical, Entrepreneurial, Vocational Education and Training (TEVET) Act, of 1999 (Cap. 55:06). In addition, there is the Tenancy Labour bill (pending tenancy law) of 2011 as a proposed labour legislative Act to introduce some more mandates for the Ministry. The international conventions that include all the 29 ratified ILO's conventions on labour standards by Malawi government give further mandates for the Ministry. Similarly is the case with the Republican Constitution of 1994 which is a Malawi supreme law of the land.

The administrative structure of the Ministry of Labour from its headquarters in Lilongwe extends to the Regional and District labour offices. District labour offices are located at the “Bomas” (hearts or centres of the district administrations) in each of the 28 administrative district councils in Malawi. District labour offices are headed by the District Labour Officers appointed by Secretary for Labour to perform all the labour administration system services at a district level on behalf of the Ministry of Labour.

It is in the above regard that the Ministry of Labour as a service Ministry is responsible to deliver the following five set of public services as derived in the legislative Acts stated above. These are: the industrial relations services; the public employment services; workers and pensions administration services; trade testing services and technical and vocational training services.

### **Industrial Relations Services**

Industrial Relations is the establishment, development and maintenance of an acceptable, mutually advantageous interaction system between the employees and employers together with their respective organisations under the protection of the State - Government monitoring (Nel & Rooyen, 1989; Slabbert, 1991; and Finnemore, 1999, as cited in SA-UP, n.d.)<sup>1</sup>. Good industrial relations are prerequisite for the development and achievement of decent work and harmonious relations at every workplace setting.

The Development and/or achievement of decent work and harmonious labour relations at the world of work are some of the desired outcomes constituted within the Ministry of Labour’s mission statement. Decent work refers to the presence of sufficient employment opportunities, adequate social protection, and the access of rights at work as well as the availability of positive progress in the social dialogue (ILO, 2004; MG-DWCP, 2011).

Within the delivery of industrial relations services, the Ministry of Labour officials, that is, the district labour officials are specifically responsible to undertake the following three tasks among others: to enforce labour legislation through labour inspections; to settle industrial / labour disputes; and to conciliate and/or mediate labour complaints between disputing parties in the employment relationship. Labour inspections are carried out in workplace establishments / enterprises, where there are workers employed in order to check the compliance of labour laws in terms of working conditions set by government as minimum legal standards of employment (ILO, 2005). Labour inspections have potential to prevent and /or minimize the occurrence of workplace labour disputes (Malema, 2013) which have negative effects on the workplace productivities as a result of lost production outputs, operation and management costs in times of industrial disputes (strikes/lockouts) which usually disrupt normal workplace activities.

### **Public Employment Services**

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<sup>1</sup> Definitions and models of Labour relations (book chapter 5) in the book: “A Validated model of the South African labour relations system published by the University of Pretoria. Thirteen different but related definitions of Industrial/Labour relations are given by thirteen different cited South African authors in this book from pages 100-131.



A district labour office performs three major public employment (employment bureau) service functions namely: career guidance and counseling; registration and placement of job seekers; and generation and management of the labour market information or statistics.

With career guidance and counseling, the Labour officer would be required to conduct career talks at schools and colleges to students to help them make informed decisions about their right careers to choose and pursue. Self employment, including the much advocated rural self employment, can be promoted as a result of effective career guidance and counseling. On counseling, the officer is required to carry out counseling activities on those individuals entering the labour market as well as those already in the labour market working to enable them make informed decisions on the alternative jobs available. To effectively deliver these functional services, Labour officers are required to have a wider knowledge on the requirements of particular careers and their demand on the labour market. They are also required to have sound knowledge of the labour market itself, to travel widely and to have interpersonal relationships with employers. Both, traveling while at work and acquiring of knowledge through trainings, call for adequate financing of the service activities.

With the registration and placement of job seekers, the Labour officer registers all those individuals who avail themselves at the district labour office seeking for employment where a designed registration for employment register is used. Every registered job seeker who fails to secure employment within 3 months from his/her registration date is required to renew his /her registration. On the other hand, the placement of job seekers into employment involves selection of the qualified and successful registrants by the employer usually after conducting interviews. Prior to this selection, the District Labour officer provides the employer with a list of job seekers with required qualifications and thereafter, the employer is required to provide feedback on the results of the interviews to the Labour officer for the purpose of data recording and updating of job seekers registers accordingly.

The job placement process is further enhanced by a Labour officer`s activity of job canvassing. Job canvassing involves the Labour officer, particularly the employment exchange Labour officer, to visit some potential employers to lobby them to offer employment to suitably qualified registered job seekers during when the officer also collects, (as part of data collection work), information on the demand for labour as well as provides advice on the available skills and legal requirements regarding the employment issues, among other things.

Furthermore, the job placement activity is being complemented by another Labour officer`s activity of vacancy registration. With this latter activity, it is within the government plans that for the public employment exchange services to be complete, there is need for the registration of job seekers and of vacancies so that some of the registered vacancies can be easily filled by the already registered job seekers provided they are qualified to meet the vacancy requirements hence the concept of ‘employment exchange’ applies.

With vacancy registration, an employer who wishes to recruit through the district labour office is required to complete a prescribed vacancy notification form at labour office as part process of vacancy registration. The activity of vacancy registration or notification is important as it provides data on the employment opportunities in the district into the labour market information data system. However, the only challenge is the fact that employers are not legally required to notify or to place their job vacancies at labour offices hence a number of existing employment vacancies in the district would not be captured and known for filling thereby affecting the effectiveness of the employment exchange service delivery. This challenge can be addressed by putting in place, the country employment policy with clear defined guidelines requiring all employers in need of employing workers to be placing their vacancies at labour offices. This policy should therefore be backed by possible amendments to be made within the relevant existing labour legislative Acts. Note that, registration and placement of job seekers and vacancy registration when effectively managed have the potential to address the problem of gap links within the labour markets where employers in need to fill their vacancies are unable to link timely with the unemployed job seekers.

With the generation and management of labour market information, the Labour officer is required to collect and collate the required labour market information (periodic labour market surveys) such as share of women employed in the formal employment for example. The Labour officer is required to provide statistics on labour force, types of labour available, sectoral distribution of labour and the employment structure by occupational and industry. Furthermore, the Labour officer is required to draw comments on employment rate, structure and trends and also the potential areas for investment by sector and industry. The District Labour officer is required to perform this service function of management and generation of labour market information under the supervision of the Director of planning services of the Ministry of Labour and in collaboration with the Director of planning and/or M & E officer at the district level. With guidance of the Ministry's planning directorate and the district council's planning section, a steering committee, the Labour Market System Steering Committee (LMSSC) is established with a role to define dimensions of labour market information at the district level from time to time. These employment dimensions serve as directory guidelines for the District Labour officer to discharge his/her duties within the activity of the generation and management of labour market information.

Furthermore, the activity of generation and management of labour market information is being complimented by a Labour officer's activity of employment contracts attestation. With contract attestation, a Labour officer attests to contracts of employment or renewals. This activity involves mainly the seasonal employment within the agricultural sector such as the tobacco, tea, cotton industries etc. The attestation process requires each party to the employment contract to sign in the presence of a Labour officer who ensures (as part of his/her enforcement role to promote compliance with labour laws) that, details contained in the employee/employer work contract are in line with laws. This attestation work, through contract copies given and maintained by Labour officer, provides as source of employment data generation to be fed into the labour market information system.

Finally, to emphasize on the important role of the public employment services, the World Economic Forum<sup>2</sup>, in January 2014, observed that “the public employment services have an important role in ensuring that the return to job growth does not come at the expense of lower-quality skill matches and thus recommended the use of activation strategies which should not only focus on the immediate benefit of filling a job vacancy, but also consider the long-term consequences of training and placement decisions on individuals’ employability and adaptability”.

### **Workers Compensation and Pensions Administration Services**

Ministry of Labour has a mandate to process workers compensation claims on behalf of employers to their injured employees both in the public and private sectors. This mandate is stipulated in the Workers Compensation Act, No. 7 of 2000. The Act’s overall aim is to provide for compensation for injuries suffered or diseases contracted by workers in the course of their employment or for death resulting from such injuries or diseases; and to provide for the establishment and administration of the workers compensation fund.

The workers compensation fund is not yet established. If established, it will be a pool of moneys to be administered by the Workers Compensation Commissioner as a State controlled fund. Among other sources, the employers’ annual paid assessments/contributions into the fund will form a major part of the pooled compensation moneys. Government as employer is also amongst the employers to pay the assessment hence the greatness of the employers’ contributions into the fund. The fund, among other uses, will be used to make payments to eligible workers or their dependants as compensation as well as to settle lawful expenditures incurred by the Commissioner while carrying out his/her functions. Two advantages with this compensation arrangement include: first, there would be total assurance for the availability of funds for compensation at anytime, the compensation dues arise, hence the delays in processing beneficiary claims as is currently the case would be history; second, Government funding pressure would be eased since the Act provides for the fund Commissioner to use part of the pooled moneys for his/her work operational costs.

In absence of the workers compensation fund, Government is using the system of Individual Employer Liability (IEL) as was provided for in the Workmen’s Compensation Act of 1946 and its subsequent repeal Act of 1990. This system to be replaced with the establishment of the Workers Compensation Fund is however retained by the new Workers Compensation Act of 2000 as proper method of settling claims of minor employers who may be exempted by the new Act from making annual contributions into the State controlled fund. Under the Individual Employer Liability system, the Ministry of Labour is required to send a claim for compensation to the employer of an injured or dead worker and transmits the received claimed amount to the worker or his/her certified dependants to mark the end of compensation process. Lack of the available readily funds for compensation and the inadequate operational funding for the office of the

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<sup>2</sup> World Economic Forum Global Agenda Council on Employment – Matching Skills and Labour Market Needs: Building Social Partnerships for Better Skills and Better Jobs, held in Switzerland, 22-25 January 2014.

Workers Compensation Commissioner are currently the major challenges affecting the smooth delivery of workers compensation processes in Malawi. In addition this IEL system is found to have shortfalls as it provides only the lump-sum payment and no any periodical payments thereafter, a process that would be potential to make workers compensation as one good form of social insurance security for the incapacitated workers in Malawi. Unlike the compensation fund (the pool) system with a provision for additional compensation to the already paid amount to be payable out of the fund on approval by the Workers Compensation Trustee Board (WCTB) to the injured worker who suffers the permanent total incapacity such that the injured worker is left to require some constant help of another person.

Apart from processing workers compensation as a form of social security for the injured worker, Ministry of Labour is also mandated to undertake some roles with respect to pension administration. This work is in two components. First, the Ministry has a role to check compliance with respect to provisions of the new Pension Act of 2011. The overall aim of the pension Act of 2011 is to provide for mandatory pension in Malawi where every employer becomes obliged to make provision for pension for his/her employees and to provide for the establishment of the Contributory National Pension Scheme (CNPS). In addition, the Act requires the employer to maintain a life insurance policy cover for each employee with a minimum amount equivalent to the employee's annual pensionable emoluments. The accumulated pension fund contributions will act as a form of national investment. This is the case because one of the pension Act's objectives is to foster the agglomeration of the national savings in support of economic growth and development of the country as pension funds will be allowed to be loaned out to earn interests. Second, the Ministry has a role to receive pension moneys from foreign countries as payments to Malawian Pensioners (the Malawian migrant workers) who had worked abroad. With this function, the District Labour officer periodically, receives through the Workers Compensation and Pensions division office, pension moneys for the Malawian migrant workers who had worked in Zambia, South Africa, Tanzania and Zimbabwe. These moneys are for terminal benefits; for long service rendered and compensation for injuries suffered during employment while working in such countries. Furthermore, the District Labour officer does the verification of migrant pensioners' presence in Malawi. Various pension institutions in those foreign countries send life certificates to Malawi annually for pensioners to sign so that their life or death is known for the continuity or discontinuity of pension remittance.

The Ministry's effective service delivery in respect of pension administration service is bound to be of more advantageous both to the individual beneficiaries as well as to the nation as a whole. First, individual employees will be guaranteed with social security in terms of access to their saved pension benefits upon retirement; and those retired Malawian Pensioners who had worked abroad will continue receiving their terminal benefits and compensation thereby reducing their vulnerability to poverty shocks as most of them are aged requiring constant help from relatives or Government. Second, the invested pension funds as one national investment form would bring about economic growth and development as a result of loaning out of the pension funds to attract interest. For instance, part of the pension funds loaned out to institutions would be used for



infrastructure development<sup>3</sup> among other uses. And the earned interest would increase the beneficiary accumulated pension amounts hence improved income bound to improve the living standard of a retiree hence the country's economic growth. The guaranteed workers pension benefits upon retirement including those pension transfers from foreign countries would be a relief on part of the Government in its role to provide social protection in form of cash transfers to vulnerable Malawians. Furthermore, all pension payments by foreign countries to Malawi are a form of unilateral transfers – a component of a country's balance of payment (BOP) current account. This means that huge pension payment transfers will lead into a positive contribution towards the balancing of a country's BOP account, providing a good indicator for the country's good economic performance.

### **Technical & Vocational Training Services and Trade Testing Services**

It is within the Ministry of Labour's mission statement that "skilled human resources in the labour market through the enhancement of technical and vocational training" is enshrined to ensure the country's productive workforce.

Trade testing services and technical and vocational training services are thus paramount in the attainment of the skilled human resources in the labour market. With trade testing services, the Ministry is responsible to develop and review trades curriculum in consultation with the industry (the labour market needs); to assess and certify all trade candidates as well as to evaluate both the assessment and certification processes. With technical and vocational training services, the Ministry is responsible to, among others, develop and review the country's vocational training curriculum; to undertake the provision of skills development through the Ministry's established technical colleges and to register all the public and private vocational training institutions as provided for in the TEVET Act of 1999.

It is therefore clear that the Ministry of Labour through its technical & vocational training and trade testing services is better placed to help Malawi deliver in the area of skills development and matching and also to contribute towards the effective implementation of the Labour Relations Social Market model whose main delivery modality is by way of Integrated and Standardized National Skills Training Programmes (see below). This model has been proved to be very instrumental (Marcus, 2011) for Germany to effectively manage its workplace labour disputes and hence improve levels of workplace productivities (the outputs) that are key determinants for the country's real GDP growth.

### **Malawi National Development Process – the Policy Frameworks**

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<sup>3</sup> Chayamba storey building which was the only highest and decent storey building in Malawi until early 2000s and Old Mutual head offices (also storey building) in Blantyre are some of the developmental buildings that were built using funds from pension investments.



Soon after independence in 1964 Malawi Government had to manage its development plans through use of 10-year development plans. The first Statement of Development Policies (DEVPOL) covered the period of 1971-1980 and the second Development Policy covered the period of 1987-1996. In addition to such development policies, Government also used the 5-year Public Sector Investment Programme (PSIP), the Sectoral Policy Framework Papers (PFPs) and the Medium Term Expenditure Frameworks (MTEFs) as complementary development management tools.

With such development policies, Malawi Economy performed well during the 1960s and early 1980s with an annual growth rate of 6 %. However the economy's growth eventually retrogressed because of external forces such as the oil crisis, drought and political instability in the region. Malawi to overcome such external forces, adopted from late 1980s, the implementation of Structural Adjustment Programmes (SAPs) - the country's Medium Term Economic Policies- to be implemented by the formulated 3-year policy framework paper (PFP) which was being complemented by specific sectoral programme policies.

As from 1996, Malawi adopted a long-term strategic thinking and as such the Vision 2020 framework was formulated and adopted in 2000. The Vision 2020 defines National goals, Policies and strategies and will improve development management and provides the Government with a wealth of information about what Malawians would like to achieve. The Vision provides a foundation on which a country can formulate, implement and evaluate short and medium-term plans for both the Public and Private sectors. It provides detailed background information and justification for the population aspirations and strategies recommended to achieve those aspirations. However, a Vision does not provide the required details of projects and activities. This responsibility is left for the government departments and private organizations (i.e. NAP; M-DWCP<sup>4</sup> etc are some government policy documents that contain details of projects and activities with respect to labour and employment projects and activities).

Among other things, the vision 2020 spells out the following strategic challenges to be worked out for the betterment of Malawians: the challenge to reduce unemployment, promote enterprise development, reduce poverty, raise agricultural incomes (including the improvement of tenancy arrangements) so as to achieve fair and equitable distribution of income and wealth; the challenge of low income levels (earnings) for most Malawians especially in the informal sector employment; the challenge of unfair and inequitable distribution of income that can be resolved through reduction of unemployment rate, promoting enterprise development, improving productivity of small holder farmers, and addressing tenancy issues. These would be good interventions because most Malawians are employed on agricultural smallholdings where low

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<sup>4</sup> National Action Plan (NAP) on Child Labour for Malawi adopted in 2010; and Malawi Decent Work Country Programme (M-DWCP) for 2011-2016 adopted in 2011. The two policy documents contain strategic details to be implemented by Malawi government with an overall objective to reduce poverty amongst the working population through the elimination of child labour and achievement of full productive employment and decent work respectively.

labour returns have led to under-employment. To reduce unemployment, the economy must generate jobs to absorb the unemployed by creating a climate that will attract private investment in labour-intensive technology industries, encourage commercial farming and the growth of small-scale enterprises such as food processing, promote co-operatives and business training and create a database on strategic industries with a multiplier effect on employment.

It is within the government's Vision 2020, that the challenge of poor tenancy system managements where remuneration to tenants is generally low and their labour returns fluctuate from year to year coupled with their faced sufferings due to the uncompensated cost incurred during production in case of crops' failure or prices fall should be addressed, among others, by encouraging tenants to form trade unions and associations; increasing access to information about estates' financial position; exploring and promoting more job creation programmes to abolish the tenancy system arrangement (replacing the tenancy system with a full share – cropping system) and fixing prices to an agreed proportion of auction floor prices.

Malawi implemented the Malawi Poverty Reduction Strategy (MPRS) from 2002 to 2005. The overall goal of the MPRS was to achieve sustainable poverty reduction through empowerment of the poor. The country's GDP growth during the implementation of MPRS paper, averaged 3.5 % against the target of 5.2 % indicating the country's underperformance. Thus Malawi formulated and adopted the Malawi Growth and Development Strategy (MGDS I) to replace the MPRS.

MGDS I was implemented from 2006 to 2011. The overall goal of MGDS I was to reduce poverty through sustained economic growth and infrastructure development. Malawi, during the implementation of the MGDS I, achieved gross domestic product growth that averaged 7.1 % against the target of 6 % indicating the country's over performance. The growth in a country's GDP is associated with the implications of employment creation among other things because growth in GDP entails growth in a country's economy. This means that some new employment jobs were created in Malawi during the period of 2006 to 2011. Unfortunately, Malawi did not document any created employment job statistics during such success period because of the absence of robust country labour statistics to determine the number, level and type of the created jobs. The issue of employment creation in a country is one of the key macroeconomics performance indicators hence the need for a country to be quantifying the levels of new created jobs for purpose of quantified measurements relevant for actual decision making.

It is in this regard that Malawi government decided to include the issue of “labour and employment” as one of the sub-thematic areas to contribute towards achievement of the country's sustainable economic growth in the MGDS II to be implemented from 2011 to 2016. Note that labour and employment in the first MGDS was not included. The inclusion of labour and employment programme issue in the MGDS II is to, among other things, ensure that the MDGS I challenge of the country's unknown employment statistics in respect of the created jobs during 2006 - 2011 be addressed so that by 2016, upon recording success in the country's performance if that could be the case, the country should be able to explicitly document the statistics of any new jobs that will have been created in the country by that time.

However, the critical issue here is not to do with the mere inclusion of “labour and employment” issue into MGDS II but rather the financing and implementation of the issue activities across the lifespan (time frame) of the second MGDS. This is the case because for the country to realize its expected outcome of improved labour statistics (as stated in the MGDS II), the Ministry of Labour would need large funding if it is to register its utmost efficient and effective performance delivery in its mandated function of the public employment services particularly in the generation and management of the labour market information statistics. Otherwise, Malawi may end up achieving nothing in either of its current MGDS planned medium term expected out comes under the sub-theme of labour and employment thereby defeating its good intended purpose.

In summary, with respect to the national development policy frameworks, it is clear that Malawi used the medium term policy (MTP) development statements from 1964 until early 2000s when the national long term policy (NLTP) – the vision 2020 was adopted that embraces all the specific short and medium term policy statements such as the MPRSP for the period 2000 to 2006; the MGDS I & II for the periods 2006 to 2011 and 2011 to 2016 respectively including an overlapping Malawi Economic Recovery Plan (MERP) within the 2011 to 2016 period, specifically from 2012. An analysis of the overall objectives of all the described national policy frameworks shows two common themes which are poverty reduction and growth in the national Growth Domestic Product (GDP). As a result, this paper establishes that the focus of all the Malawi national development policy frameworks has been the reduction of poverty levels amongst Malawians and growth in Gross Domestic Product (GDP) with the expectation that achievement of these two specific objectives would bring about economic growth in the country.

### **Contributions / Impact of Labour Administration Services on the Country’s National Development Process (i.e. on Country’s Economic Growth)**

The term “economic growth” is defined as a process whenever there is a steady long term growth in real Growth Domestic Product (GDP) together with an improvement in living standards (Samuelson and Nordhaus, 1995: 385). To show the contribution of labour services delivery on the country’s economic growth, there is need to discuss labour services delivery by linking to GDP and living standards which are the two factor variables to determine the country’s economic growth.

Malawi Growth and Development Strategy II (MGDS) recognizes “Labour and Employment” as one of the subthemes to be pursued in order to achieve the country’s sustainable economic growth which is the Strategy’s first thematic area. In respect of this recognition, it is acknowledged that earnings from employment drive consumption as well as investment which help a country to realize sustained growth (MGDS II, 2011: 36). Earnings refers to wages and the term “wages” in this paper should be generally used and understood as a shorthand expression for “wages, salaries, and other forms of compensation or benefits realized or to be realized out of one’s employment work”. Now how does labour and employment relate to the living standards of people and to the growth in DDP?

First, the living standards and “Labour and Employment” are closely linked. It must be noted here that wages or earnings are a key element involved in labour and employment. This is the case because every employment relationship entails that there is an employee engaged to offer his/her labour services to an employer in return of wages or earnings. Whereas living standards refers to the cost of living that is necessary to enable someone afford basics of standard of living such as good accommodation, good food, good clothes and good health care services just to mention but a few. This means that creation of more employment opportunities through whatsoever means and forms including self employment and to achieve decent work for the country’s employed labour force which are some key strategic objectives under “Labour and Employment” programme of the MGDS II, would be the appropriate approach towards the realization of improved living standards amongst the Malawian working class.

The improved employment earnings or wages that can drive desired consumption and investment are the ones that equate to one’s real income whose purchasing power can enable someone or an employee to afford the price of a standard consumer shopping basket on daily basis. With problems or excuses of a country’s economy and of course with issues of discrimination at work, it is not easy for employers especially those from the informal private sector to offer their employees daily wage earning that are equivalent to or above the price of a consumer basket unless the country wage regulations are set and enforced. This justifies the need for a country to regulate employment wages through Ministries or departments of labour and thus to enforce them (as part of labour standards) through labour inspections.

As indicated earlier in this paper, the Malawi - Ministry of Labour is mandated to set minimum employment wages with consultation of trade unions and employers’ organizations and also to enforce the set minimum wages through the work of labour inspections. According to MGDS II, wages are not only instrumental in driving the consumption decisions but also in driving the investment decisions. This is true because from the explanations of the vicious cycle of poverty, it is clearly shown that low levels of income (wage) prevent savings and investments, retard capital growth, hinder productivity and keep income (wage) low (Samuelson and Nordhaus 1995: 707).

Furthermore, MGDS II reaffirms equal opportunity to employment as a right for all productive age groups. The country’s labour laws support equal employment opportunities for all eligible Malawians through provisions of the fundamental principles of employment such as non-discrimination and equal pay and work principles. This means that if such a country’s labour laws are effectively implemented as they provide for, Malawian job seekers would be in a position to access or compete equally for the little generated employment opportunities from time to time and thereafter earn some income to earn their living.

In respect of the above discussion it is clear that the country can achieve the improved living standards for its working population if such a country can focus on improving the delivery of labour services. For instance, the labour inspectorate services will, among other things, particularly reduce the problem of underpayment of minimum wages, improve wage earnings for most of the informal sector employees and in general will improve the compliance with the country labour laws, a situation that in turn will lead into improved living standards for most of

the working Malawian population through improved work earnings and other conditions of employment. Such improved living standards will thus contribute towards the country's economic growth as one key determining factor variable.

Second, the Gross Domestic product (GDP) and "Labour and Employment" are also closely linked. GDP is the measure of the total market value of all the final goods and services produced in a country during a year. Thus GDP is a comprehensive measure of the total output in an economy.

The production of output is directly related to labour and employment because labour<sup>5</sup> is one of the four crucial factors of production. The other three are capital, land and management. The production factor – labour – is offered by employees. Studies have shown that skilled employees are the ones who produce more workplace outputs as compared to non skilled employees. This means that high level of workplace productivity is directly related to skilled employed labour force (the workforce).

The Ministry of Labour's mandate of ensuring high industry workforce performance through the development of skilled human resources requisite for the national development and of providing facilities for trade testing of artisans together with its organisation and delivery of vocational training programmes is key towards the country's achievement of improved labour productivity. High labour productivity that means more output, either goods or services, implies growth in GDP and thus economic growth – the country's desired state of affairs.

The country's economic growth as a result of the country's growth of GDP can be a favourable environment for improved employment wages and/or for creation of new employment jobs. Furthermore, such favourable environment can be conducive for the increased Foreign Direct Investment (FDI)<sup>6</sup> in the country – the development that has positive implication with respect to the employment (jobs) creation. FDI is a source of both direct and indirect employment. Direct source as many people will be directly employed by the FDI firms. On the other hand, people will be employed by the FDI firms' employees (first instance of indirect source of employment). Furthermore, the FDI firms will enter into contracts for employment with some local companies to supply the company with some raw materials and thus the contracted companies will create

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<sup>5</sup> Stein and Foss (1995) found out that labour, capital and management as critical factors of production contribute about 10 %, 38 % and 52 % respectively of the annual increase in productivity outputs. Management is responsible for ensuring that labour and capital are effectively used to increase productivity. It is part of labour because it is the manager (a person) doing the management task. Thus considering that a self-employed person is both the employee and the manager himself/herself then, according to Stein and Foss findings, we can hold that of the 100 % annual increase in productivity 62 % (more than half) is a result of labour (i.e. labour 10 % plus management 52 %).

<sup>6</sup> FDI which is a form of international investment whereby a firm (or a company especially the multinational company invests directly in facilities, such as plants and equipments to produce and/or market a product in a foreign country (Hill, 1997: 176).



contracts of employment with other people (second instance of indirect source of employment). Thus FDI also serves as an indirect source of employment for people.

The challenge of low labour productivity can be addressed through the promotion of skills development, testing and certification as well as through the effectiveness in the skills matching<sup>7</sup> processes. As it was observed at the World Economic Forum, in January 2014 that:

When individuals have substantially more skills than required for their jobs, those individuals, as well as enterprises and economies, are prevented from reaping benefits of their skills investment such as higher wages, productivity growth and innovation. In some developing and emerging economies, where volatile economic growth is accompanied by a poorly educated / trained workforce, skills shortages and an under-skilled workforce tend to compromise economic development. And that in contrast, for many advanced economies and some developing countries, significant investments in education that are not accompanied by job growth foster high rates of graduate unemployment and mismatches in qualifications.

This observation explains the importance and need for skills development and matching if a country is to improve her labour productivity and thus develop economically through growth in GDP. Furthermore the observation implies that the investment of skills in general education without linkage to job growth or the labour market needs is detrimental to economic growth. It is therefore necessary that the labour administration activities of skills development and generation and management of labour market information (labour market surveys) should be prioritized and well financed for its effective implementation so that there should always be good match between the available developed skills and the labour market needs. These labour administration services when effectively implemented by the Ministry of Labour, will result into the availability of the required skilled and productive country workforce that would contribute meaningfully towards the country's improved GDP and thus economic growth.

Based on the above discussion, this paper proposes that Malawi, with respect to promotion of good workplace labour relations while at the same time achieving in the development of the required skills for the country labour markets, should consider adopting the Labour Relations Social Market (LRSM) model<sup>8</sup>, as a new concept, which is characterised by the intense co-

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<sup>7</sup> *Skills mismatch* refers to the gap between the skills required on the job and those possessed by individuals. Five forms of skills mismatch experienced in developing economies include: *Skill shortage* – the demand for particular type of skill exceeds the supply of people with that skill at equilibrium rates of pay; *Qualification mismatch* – the level of qualification and/or the field of qualification is different from that required to perform the job adequately; *Over-(Under-) qualification / education* – the level of qualification/education is higher (lower) than required to perform the job adequately; *Skill gap* – the type or level of skills is different from that required to perform the job adequately; and *Over-(Under-) Skilling* – the level of skill is higher (lower) than required to adequately perform the job (World Economic Forum Report, 2014).

<sup>8</sup> The Labour Relations Social Market model was adopted by Germany where it has been continuously used to date because of its effectiveness towards the management of sound labour relations. For example by

operation between employers and employees and their respective representatives where by all stakeholders should look at the economy from the long-term perspective and thus identify the importance of continuously pushing for higher productivity. It is within the author's conviction that the LRSM model can help improve the management of labour disputes and thus brings about the desired harmonious workplace labour relations (see box 1 in the appendix page for more information on the model).

### **Conclusions and Recommendations**

In conclusion, the paper has discussed and shown that creation of more employment opportunities including self employment and to achieve decent work for the country's employed labour force would be the appropriate approach towards the realization of improved living standards amongst the Malawian working class and that the improved employment earnings or wages that can drive desired consumption and investment can enable employees to afford the price of a standard consumer shopping basket on daily basis. As a result, there is need for a country to effectively regulate employment wages through Ministries or departments of labour and thus to enforce them (as part of labour standards) through labour inspections. Note that the desired objectives of most of the labour administration services such as those of the industrial relations and of workers compensation services, among others, whose contributions are crucial towards the country's national development process can be achieved once the country has committed more resources towards the enforcement of labour standards through the work of labour inspections. This is because the advisory and preventive roles during labour inspection visits to various workplace establishments would greatly reduce the occurrence of workplace labour disputes as a result of workplace parties' knowledge on their entitlements since unfair labour practices involving workplace parties to each other are in most cases the source or cause of workplace rights labour disputes as well as those disputes in respect of workers compensation (Malema, 2013).

Secondly, the paper has established that skilled labour (employees) are the ones who can produce more workplace outputs as compared to non skilled employees and that high level of workplace productivity is directly related to skilled employed labour force (the workforce). As a result, the paper has recommended the need for Malawi government to invest more in the skills development programmes through the use of the proposed integrated and standardized training system programmes as advocated by the Labour Relations Social Market model. This is because employees with high quality and required skills while at work are bound to bring about high outputs, that is labour productivity, thus boosts the workplace productivity which in turn can increase the workplace profitability that can help support or sustain workers' interest demands

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2011, German companies had completed the training programmes of almost 600,000 paid apprentices providing them with the skills to work and increase their productivity (Marcus, 2011, as cited in Cedefop, 2013). Among other benefits, labour relations social market model allows new workers to get jobs and to quickly become adequately trained to perform well on the job. This would be of much advantageous on part of Malawi where most of unemployed youths are denied jobs because of their lack of skills and experience.



with respect to salaries/wages increase requests thus avoid possible labour disputes such as industrial strikes or lockouts and others.

Finally, the paper, through the discussed direct linkages between the MGDS II devised “labour and employment” programme activities (the labour administration services) and issues of improved living standards of the workforce and of growth in real GDP, concludes that labour administration services are important and can play (plays) a great role towards the national development process. With this overall conclusion, it is thus justifiable to recommend that government’s political will and commitment with respect to financing for the effective implementation of labour administration services is necessary to the extent that Malawi government (Ministry of Labour) needs to prioritize the enforcement of labour standards through labour inspections and skills development process in order to improve compliance and workplace labour productivities respectively for improved GDP and economic growth.

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**APPENDIX : Tables and Boxes**

**Table 1: Total number of labour inspections conducted at each of the three country's city labour offices of Mzuzu, Lilongwe and Blantyre.**

Labour office	2005	2006	2007	2008	2009	2010	2011
Mzuzu	193	303	10	116	42	2	50
Lilongwe	94	78	23	8	44	17	15
Blantyre	6	21	9	648	104	11	43
Total	293	402	42	772	190	30	108

Source: Malema, (2013, p. 90), Masters of Business Administration (MBA) thesis, University of Malawi.

Note that as per the ILO requirements (ILO, 2006), Malawi as a developing country needs to conduct a total number of not less than 3000 labour inspections per year. This, according to Malawi with a total of 28 working district labour offices, means that at least not less than 107 labour inspections are supposed to be conducted by each district/city labour office every year. An analysis using performance figures in table 1 shows underperformance, in general, by the Ministry of Labour in its core function of labour inspections. This underperformance, according to Malema (2013), is due to inadequate financing of the labour inspectorate services by the Malawi government, among other factors.

**Box 1: Labour Relations Social Market (LRSM) Model**

**A Brief overview of the LRSM Model and the Malawi Workplace Labour Relations**

Labour Relations Social Market (LRSM) Model is a labour relations model for sustainable management of labour disputes. Labour disputes have a negative impact on the economy (Marcus, 2011). Thus the justification for governments and stakeholders to find constructive methods of dispute resolution before labour disputes cause a negative impact on the economy.

LRSM model is characterized by the intense co-operation between employers and employees and their respective representatives where by all stakeholders look at the economy from the long-term perspective and thus identify the importance of continuously pushing for higher productivity. The model is realized by the implementation of an integrated and standardized national skills training programme. Under this training system, youths are trained to become more and more skilled job seekers, that is, the unemployed youths. The integrated and standardized training system programmes are equally supported by training institutions and employers' companies. For instance, employer companies encourage and support/sponsor trainings for their employed workers to acquire relevant skills within the training institutions [which in the case of Malawi could be the Malawi Entrepreneurship Development Institute (MEDI) and vocational training / technical colleges] at subsidized training costs whereas Government and/or [TEVETA authority in case of Malawi] should support for the training of unemployed youths in such training colleges / institutions.

The current trend of increase in labour disputes worldwide is a result of the embraced democratic labour laws by various countries, among other factors, that have provided for the protection of the rights of both employers and employees to the extent of granting freedom for the employers and employees to lockout and strike respectively. Malawi is not an exception in this case.

For Malawi, the nature of labour relations and their management became more complex than before following the attainment of multiparty democracy in 1994. This call for the adoption of a labour relations model, the social market model with an objective to ensure that dispute resolution is tackled early before labour disputes have a negative impact on the economy.

In Malawi, labour disputes from various workplaces in many districts across the country take different dimensions because of different kinds of economic activities, work procedures and their work demands taking place in such various workplaces. For instance, in Blantyre, Lilongwe, Zomba and Mzuzu (interviews), the current industrial relations situation in workplaces comprises of:



- frequent occurrence of labour conflicts due to inadequate or weak structures to handle workplace labour disputes;
- absence or no clear/formal conditions of services in most workplaces;
- absence of procedures and capacity to solve/handle conflicts;
- non compliant behaviours by workplace parties, especially the employers, with respect to labour laws i.e. the Labour Relations Act, the Employment Act and others;
- organizations lacking skills and commitment to prevent and resolve conflicts;
- organisations not asking for assistance from the mandated institutions e.g. labour offices if the conflict fails to be resolved by the two parties themselves;
- many labour disputes (labour complaints) reported at labour offices on daily basis;
- labour laws are not applied by organisations when dealing with labour matters;
- tendencies of bringing dead bodies to workplaces (very common practice in Blantyre) as a way of pressing for transport support from the employers;
- misunderstandings within workers themselves;
- seeking of assistance from specific individual officers (both employers and workers);
- unreported workers compensation cases – industrial accidents;
- inadequate skills to accommodate opposing views at the workplaces, that is, lack of skills to accommodate opposing views (the spirit of “I am always right ... Mr or Mrs so and so, are wrong or not right”);
- unrealistic demands by employees;
- inadequate flow of information from both parties; and,
- redundancies or retrenchments.

Whereas for those districts dominated with plantations of tobacco and/or tea such as Rumphi, Mzimba, Kasungu, Mchinji, Thyolo, the industrial relations situation in workplaces is comprised of:

- violent tenant employees towards their landlords due to influence of alcohol and other abusive drugs;
- failure by either party to abide by their agreed terms of their seasonal employments;
- ignorance by both employers and employees on suitable employment agreement forms for tobacco/tea tenant employees;
- negligence or inability by tenant employees to do the work (deliver);
- disagreements over contractual agreements such as on food issues, and/or on prices;
- theft of tobacco by tenants or by tobacco landlord employers, theft of tobacco/tea crop by tenants during harvesting;
- disputes over poor prices of tobacco/tea at the auction /market points; and
- child labour cases on the plantations/farms.

The same applies to those lakeshore districts of Karonga, Nkhatabay, Nkhotakota, Salima, Mangochi and Chikhwawa where the fishing industry activities have influenced the situation of workplace labour relations to take the form of sexual harassment mainly, among other forms.

Such current complexities of the Malawi workplace labour relations (labour disputes) are a major threat to the expected growth of the economy and thus need both short and long term interventions. Thus, among other long term interventions, enhancing intense co-operation between the employers and employees through the adoption of LRSM model activities would help Malawi achieve its goals with respect to skills development for improved workplace productivities.

Through the skill training programmes as per the LRSM model approach, it must be the Government target to ensure that technical school / colleges, employing companies and/or trade guilds training institutions work together to produce the needed labour supply accounting for almost 70 % of Malawian artisan workers with high quality vocational training skills in addition to their usual on-the-job training for those employed. This is where the frequency of conducting the labour market surveys can be very much necessary to help update the labour market needs that can in turn inform or direct for the generation of the required skills in the skills development and training institutions.

In the long ran, the model would be of much use in respect of minimizing and well managing of the divergent nature of labour disputes in Malawi which need an intense co-operation between employers and employees and their respective representatives other than the mere interventions by the State through the mediation, conciliation, arbitration and litigation processes.

Finally, as a point of information and reference, LRSM model was adopted by Germany government where it has been continuously used to date because of its effectiveness towards the management of sound labour relations. For example by 2011, German companies had completed the training programmes of almost 600,000 paid apprentices providing them with the skills to work and increase their productivity (Marcus, 2011, as cited in Cedefop, 2013). Among other benefits, labour relations social market model allows new workers to get jobs and to quickly become adequately trained to perform well on the job. This would be of much advantageous on part of Malawi where most of unemployed youths are denied jobs because of their lack of skills and experience.

