Report:

Addressing decent work deficits in the informal economy through social dialogue.
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Executive Summary

Over 89% of the labour force in Malawi is in the informal economy. In Malawi, just like in many other developing countries like Zimbabwe and Zambia, informality is highly associated with decent work deficits. Indeed, workers in the informal economy are denied access to services and institutions which would help protect and promote their well-being. For instance, domestic workers and SMEs/Vendors have limited access to social protection schemes, financial services, sometimes they are employed without a contract with undefined working hours, Low wages, in addition some are exposed to sexual, physical and emotional abuse. In particular SMEs/Vendors their working environment expose them to various injustices for instance, deficiency in hygiene and sanitation facilities, inadequate security, absence of permanent market structures, political interference and outdated by laws among others.

The report proposes a coordinated approach towards addressing decent work deficits in the informal economy. It calls Government, Trade Unions, Employers, Informal Economy Associations, and Financial institutions among others to develop and implement context specific policies and strategies that would help address the deficits in particular informal sectors. In addition, the report recommends organizing and recruiting informal workers and SMEs/vendors into trade unions and association as a starting point.
CHAPTER ONE

1. Introduction

This paper will discuss decent work deficits in the informal economy, particularly among Small Medium and Entrepreneurs (SMEs)/vendors and domestic workers in Malawi. The study has identified social dialogue as a key tool towards addressing decent work deficits in the informal economy.

Firstly, it will discuss the background information and justification of the study. Secondly, it will provide a theoretical framework, where it will link this study to existing literature. Thirdly, it will explain how data was collected and how it has been analyzed. Lastly, it will provide an analysis and conclude with recommendations.

1.1. Background information

2018 marks the third year of the implementation of the agenda 2030 of Sustainable Development Goals (SDGs). Over half of the populations of some developing countries including Malawi and Zimbabwe live below the poverty line of $1.90 per day. According to the SDGs by 2030 it aims to eradicate extreme poverty for all people everywhere. In addition, SDGs aim to promote the implementation of nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. However, Informal economy workers in Malawi especially SMEs and domestic workers have no reliable access to social protection systems due to underrepresentation (trade unions) and financial ability. For instance, domestic workers are not recognized under the Worker’s Compensation Act and the Pension Act. Exclusion of a particular group of workers in such key social protection schemes further expose workers to economic poverty.

Governments of the world acknowledge that creating decent employment is among the key tools towards poverty eradication all over the world. ILO defines Decent work as “productive work for women and men in conditions of freedom, equity, security, and human dignity. It is productive work that delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom of people
to express their concerns, to organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.

Promoting and achieving decent employment is in line with SDGs especially Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth), and Goal 10 (Reduce Inequality). Promoting decent employment for all is among the key priority areas for government and social partners across the world. However, despite having labour policies and Acts it is sad that key interventions have failed to achieve decent work for all in Malawi.

The review of Decent Work Country Program (2011-2016) in 2014 revealed considerable effort towards achieving decent employment, but it also highlighted weak capacity and financial constraint among social partners especially government, employers' and workers' organization in the implementation process. Decent work deficits are still numerous among workers especially those in the informal economy and it is important that government and social partners maximize their interventions for favourable results.

Approximately 2.5 billion people, or half of the global workforce, are employed in the informal economy. According to ILO statistics in 2013 the informal economy accounted for 18.4 per cent of the GDP in the European Union, and 8.6 per cent on average in Australia, Canada, Japan, New Zealand and the United States.

According to the Malawi Labour Force Survey 2013, the informal economy contributes 89% towards the total labour force. In addition, the research studies conducted by MCTU in 2017 and 2018, indicated that decent work deficits are common among informal workers which deepen poverty levels in Malawi. MCTU as a workers' organization and a social partner in development is mandated to organize, protect and represent all workers in Malawi including those in the informal economy. This study aims to assess decent work deficits in the informal economy especially among SMEs/Vendors and their workers, and domestic workers.

1.2. Objectivities of the study

The main objectives of this study include

- To identify decent work deficits in the informal economy especially among domestic workers and SMEs.
• To establish whether social dialogue can promote decent employment among SMEs and domestic workers.
• To identify and recommend strategies that would help promote decent work for SMEs/Vendors and domestic workers.

CHAPTER TWO

2. Literature Review

This chapter will present a body of literature regarding the informal economy in general. It will firstly, look at the background of the informal economy and its link to poverty especially in developing countries. Secondly, it will briefly provide Malawi legal framework in relation to the informal economy including SMEs/Vendors and domestic workers. Fourthly, the role of social dialogue in promoting decent work will also be discussed.

2.1. Defining the informal economy

Informal economy is a contested concept that means different things in different context, however for the sake of this study the definition of the ILO will be adopted. Informal economy refers to both workers and economic units not recognized by the government. Economic units include units that employ hired labour, units that are owned by individuals working on their own account, cooperatives, and social and solidarity economy units.

The guidelines of the 17th International Conference of Labour Statisticians state that “employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.) for reasons such as: the jobs or the employees are not declared to the relevant authorities; the jobs are casual or of a limited duration (e.g. through on-call arrangements); the hours of work or wages are below a specified threshold (e.g. below that qualifying for social security contributions); the workers are employed by independent enterprises or by persons in households; the employee’s place of work is outside the premises of the employer’s enterprise (e.g. outworkers without an employment contract); or regulations are not applied, not enforced or not complied with for any reason".
2.2. Policies, Acts and international Labour standards

The government of Malawi has put in place policies and legislatives that promote good labour practices. In addition, it has also ratified various international instruments of the ILO which guide social partners in promoting decent work for all. Below are some of the few selected instruments that promote good labour practice in Malawi;

- **Constitution 1994 (as amended to 2010)**
  Recognises the right to work and guarantees the freedom of association, fair and safe labour practices, fair and equal remuneration, right to form and join unions and protection of children from economic exploitation and the state shall provide a healthy working environment and access to employment.

- **Employment Act 2000**
  It provides against forced labour, anti-discrimination among others. It also talks of equal pay, remedies for infringement of fundamental rights, labour contracts, hours of work, weekly rest and leave, wages, discipline and dismissal.

- **Labour Relations Act 1996**
  Regulates trade unions, collective bargaining, strikes, lockouts and industrial disputes; established the Tripartite Labour Advisory Board and the Industrial Relations Court.

- **Pension Act 2011**
  It provides for mandatory pension, and for matters relating to the supervision and regulation of pension funds as well as umbrella funds. The Act also provides that workers can contribute to the fund individual.

- **Occupational Safety, Health and Welfare Act 1997**
  It provides for the regulation of the conditions of employment in workplaces as regards the safety, health and welfare of all workers.

- **Worker’s Compensation Act 2000**
  It provides 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.

- **Employment Order 2012**
  Although the Constitution states that children under age 16 are entitled to protection from hazardous work, the Employment Act sets the minimum age for hazardous labour at 18.

- **Decent Work Country Programme 2018 (DWCP)**
It sets three main priority areas which includes; **Priority 1;** Employment Promotion and creation of sustainable Jobs, **Priority 2;** Ratification and application of standards and fundamental principles and rights at work, **Priority 3;** Enhancing and extending the coverage and quality of social protection.

- **National Employment and Labour Policy 2017 (NELP)**

It has 10 priority areas, which aims to promote employment, protect labour and promote good labour practices. All the priority areas present relevant issues in regards to improving the status of employment in the informal economy, however, of much interest to this paper includes; **Priority 2;** Labour market information, **Priority 3;** Skills Development and Labour Productivity, **Priority 5;** Improving Informal Sector, Micro small and Medium Scale Enterprises, **Priority 6;** Employment of Vulnerable Groups and Promotion of Gender Equality, **Priority 8;** Protection of Migrant Workers, **Priority 9;** Promotion of Agriculture and Rural Employment and **Priority 10;** Improving Labour Administration and Labour Standards.

- **International Labour Instruments of the ILO**

Below are some of ILO Conventions that the government of Malawi has ratified in order to promote good labour practices. These include: **C 029;** Forced Labour Convention, 1930 (No. 29), **C 087;** Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87), **C 098;** Right to Organise and Collective Bargaining Convention, 1949 (No. 98), **C 100;** Equal Remuneration Convention, 1951 (No. 100), **C 105;** Abolition of Forced Labour Convention, 1957 (No. 105), **C 111;** Discrimination (Employment and Occupation) Convention, 1958 (No. 111), **C 138;** Minimum Age Convention, 1973 (No. 138), Minimum age specified: 14 years, **C 182;** Worst Forms of Child Labour Convention, 1999 (No. 182), **C 081;** Labour Inspection Convention, 1947 (No. 81), **C 129;** Labour Inspection (Agriculture) Convention, 1969 (No.129), **C 144;** Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), **C 011;** Right of Association (Agriculture) Convention, 1921 (No. 11), **C 012;** Workmen’s Compensation (Agriculture) Convention, 1921 (No. 12), **C 019;** Equality of Treatment (Accident Compensation) Convention, 1925 (No. 19), **C 026;** Minimum Wage-Fixing Machinery Convention, 1928 (No. 26), **C 045;** Underground Work (Women) Convention, 1935 (No. 45), **C 089;** Night Work (Women) Convention (Revised), 1948 (No. 89), **C 097;** Migration for Employment Convention (Revised), 1949 (No. 97), **C 099;** Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99), **C 107;** Indigenous and Tribal Populations Convention, 1957 (No. 107), **C 150;** Labour Administration Convention, 1978 (No. 150),
C 158; Termination of Employment Convention, 1982 (No. 158). C 159; Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159).

2.3. Decent Work Deficit in the informal economy

The ILO recognizes that informality is highly associated with decent work deficits. It is an undeniable fact that labour rights are well recognised in Malawi. However, the experience of trade unions points to the possibility that some of the national labour laws and policies do not effectively protect against precarious work (MCTU, 2017). Recommendation, 2015 (No. 204) of the ILO, informality exits outside regulatory framework, and experience in most developing countries has proved total ignorance of the existence of informal economy traders and workers.

In Malawi just like in Zimbabwe vendors and mobile traders are mostly chased away from the streets and sometimes their business goods confiscated without compensation. In high and middle income countries informality is associated with criminality as is considered to be the hub of immorality and poverty.

In Malawi informal economy workers are not subjected to PAYE, an indication that they do not exist in government books. However, on the other hand informal economic units operating in cities or districts especially those trading in public markets are regulated, for instance irrespective of the size of a business all economic unit in public markets are required to pay a daily market fee, a policy which recognizes informality at local level. In Mzuzu just like in other districts, all economic units are expected to pay a daily market fee depending on the type of business for instance vegetables sellers pay MK150.00 while restaurants pay Mk 200.00.
Domestic workers are subjected to precarious and vulnerable working conditions, despite the existence of labour laws. The fact that major social protection schemes like the Workers Compensation Fund do not recognize them further expose them to poverty. In some instances, domestic workers are employed without condition of services, hours of work are undefined and mostly go beyond normal working hours, no overtime, and worse they are exposed to physical and psychological abuse by employers.

Currently the trend in most developing countries is geared towards the implementation of R204 of the ILO, which aims to guide governments in the transitioning to formality. In 2002 at the International Labour Conference of the ILO, delegates adopted a Resolution and set of conclusion that highlighted the decent work deficits suffered by workers in the informal economy and stressed the need for a transition to the formal economy. Further discussion in 2014 and 2015 resulted in the adoption of Recommendation No. 204, the first international instrument dealing specifically with the informal economy. This recommendation is a powerful tool for achieving decent work and eradication of poverty in the informal economy.

In most African countries especially women are not expected to be economically active, rather, they are expected to focus on non-paid household and community activities. In Malawi majority of domestic workers are women and
underpaid. Indeed, Informality is closely associated with poverty and a strong correlation is visible between the levels of poverty and the size of the informal economy in most African countries.

Table 1: Common decent work deficits

<table>
<thead>
<tr>
<th>Job insecurity-unpredictability</th>
<th>Unable to enforce their rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low pay</td>
<td>Work in risky environment</td>
</tr>
<tr>
<td>Long working hours</td>
<td>No access to formal institutions</td>
</tr>
<tr>
<td>No overtime</td>
<td>i.e. training and financial</td>
</tr>
<tr>
<td>Lack of social security</td>
<td>Poor working environment</td>
</tr>
<tr>
<td>Exploitation and abusive</td>
<td>No platform for social dialogue</td>
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<tr>
<td>language</td>
<td></td>
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</table>

2.4. Interventions by Government, Workers and Employers organizations in the informal economy

Below are some of the interventions by social partners in the informal economy. These interventions feed into the transition process of the informal economy:

- **Government:**

  The Ministry of Labour in Malawi implement various policies and programmes that help to promote good labour practices. Below are some of the interventions but not limited to the following, the Decent Work Country Program, the National Labour Employment Policy, and the implementation of R 204, labour inspection, compensation for workers among others.

- **Workers’ Organizations:**

  Malawi congress of Trade Unions (MCTU) is the most representative mother body of trade unions in Malawi. MCTU interventions includes but not limited to; organizing informal economy workers and traders into unions and associations, training and education on labour rights and social dialogue, representation of informal economy workers, advocating for the ratification of C 189 and implementation of R 204 among others.

- **Employers Organization:**
Employers Consultative Association of Malawi (ECAM), is the most representative employer organisation in Malawi, among its intervention in the informal economy includes; provision of education and training to employers on decent employment, and organizing and recruiting SMEs into the association. However, low level of membership from SMEs especially those in the informal economy is a challenge for ECAM.

2.5. Social Dialogue and issues in the informal economy

Social dialogue is considered a key tool towards building consensus. Social dialogue in the traditional sense has generally involved formal workers and it has been used to develop and sign collective bargaining agreements (CBAs). Often, it is argued that collective bargaining does not apply to the informal economy as there is no employer to negotiate with, for instance in Malawi the employers’ associations have not organised informal employers like domestic and SMES, hence difficult to develop and sign CBAs. However, other negotiating partners have an impact on working conditions in the informal economy, such as local government which regulate market places. For instance, the local government is responsible for the imposition of fees and levies for rent of stalls in markets.

On the other hand, experience has shown that social dialogue has not effectively addressed issues in the informal economy. Studies have argued that it is because formal and informal economy contexts are different, which social partners have overlooked in the implementation of social dialogue. For social dialogue to serve the intended purpose, it is important that special attention is given to the circumstances with the informal economy.

CHAPTER THREE

3. Methodology

3.1. Research Design

The study used the constructivist paradigm, which allowed the research team to understand informality from those who live in it (Wagner et al., 2012). The qualitative research strategy was used to collect data from the field (Bryman, 2016).
3.2. Data collection techniques

3.2.1. Semi-structured Interviews

A total of 14 individual interviews were conducted with, 3 small and medium entrepreneurs (SMEs), 5 domestic workers, 3 local government officials responsible for market operations, 2 trade union leaders (Malawi Union for the Informal Sector (MUFIS) and Commercial Industrial Allied Workers Union (CIAWU)) were interviewed. The interviewed persons allowed the researcher to collect reliable and credible data since they live and work with the informal economy.

3.2.2. Focus Group Discussions (FGDs)

A total of 12 FGDs were conducted in all the study areas (Lilongwe, Kasungu, Mzuzu, Rumphi, Nkhatatabay, Ntcheu, Liwonde and Lilongwe), and each FGDs was composed of not less than 10 participants. A total of 98 participants were involved, out of which 57 were females. This tool allowed the researcher to validate data collected by semi-structured interviews.

3.3. Sampling strategy

Purposive sampling strategy was used to identify research respondents and in addition three research assistant from MUFIS and CIAWU were involved especially in data collection.

CHAPTER FOUR

4. Data analysis

4.1. The status of the informal economy

In Malawi the informal economy is composed of various sectors, which range from service to goods providers. Studies have confirmed that in most developing and emerging countries most formal sector have a corresponding informal sector, for instance, the domestic, SMEs, and the construction sectors just to mention a few. However, the quality of employment within these sectors differentiates the two. Informal employment is associated with vulnerability and precariousness unlike formal employment. However, it is widely recognized that even in the formal
sector some workers can be categorized as informal workers considering the conditions under which they are employed.

In addition, it is undisputable fact that economic units and workers in the informal economy face numerous challenges some related to policy, for instance trade globalization policies, which expose local SMEs to stiffer competition which has seen some business entering the informal economy. In some instances, closure of businesses, high business registration and related costs like taxes, and other requirements of operating in the formal economy has also make business operations very costly.

Domestic and workers for SMEs are the worst hit by decent work deficits especially those related to low pay, no access to social protection floors, and assaults from employers. The deficits in the informal economy are aggravated with inadequate labour inspection by the Ministry of labour. Indeed, the working conditions in the informal economy expose workers to various vulnerabilities including poverty.

4.2. Business environment for Small and Medium Entrepreneurs (SMEs)/Vendors

Majority of the SMEs and Vendors in Malawi admit that the business environment is not conducive. Over the past years, there has been a transition of formal economic units and employment into the informal economy a reflection of bad performance of the economy. However, there are some success stories from the informal economy for instance, in Machinga district particularly in Liwonde during a focus group discussion. One respondent illustrated how her business has grown financially from a scratch to millions. She has employed 5 workers and all are paid above the minimum wage of Mk 25,000.00 ($34.2). However, her case cannot be generalized among SMEs in Malawi considering the level of vulnerability and precariousness under which they operate.

Majority of the SMEs operating in public markets have no access to formal institutions like banks and insurance companies. Hence they have low capital and their businesses are not protected from risks like fire and other uncertainties, for instance Mzuzu (Matayifa), Kasungu, and Lilongwe Market have been victims of fire more than once, and goods worth millions have been destroyed without compensation. Banks and Insurance companies in Malawi argue that transacting with informal SMEs is risky. Such perception by financial institutions has indeed exposed SMEs to vulnerability and consequently slow business growth.
However, it is important to mention that some micro financial institutions lend SMEs, on a condition that they borrow as block of not less than 10 members. The logic behind this model is that these SMEs should share the risk, and in case a member fails to pay back the group takes over the responsibility and pay on his/her behalf. But the challenge is that the interests are very high and some charge more than 50% and payable on a daily basis, weekly or monthly irrespective of business performance. Majority of the SMEs interviewed in this study calls micro-financial loan conditions as a poverty trap, because they are for profit making and according to one respondent from the northern region of Malawi said:

“I operate a shop (groceries and cosmetics) and in 2014 I got a loan of MK 500,000.00 at an interest of 50% payable in 1 year, it was “hell” for me, I was expected to pay MK 62,500.00 per month, but with the business condition it was very hard for me to comply, hence each time I fail to pay, I was charged extra interest a condition that I did not understand, the loan got so huge that I could not cope, as I am speaking my house and motorcycle have been confiscated and am sure they have been sold by now, my business was worth over a million before I got the loan but now it’s less than that”
This is a case out of a pool, which demonstrates how financial institutions contribute to the downfall of the SMEs sector in Malawi. If insurance companies were willing to cover SMEs from risks including those related to business failure, SMEs in Malawi would indeed actively contribute to the growth of the economy.

SMEs in the agriculture sector are not an exception, especially when contract farming is considered. Evidence has shown that after tobacco growing season farmers are left with huge debts to settle, hence trapped in economic poverty (MCTU, 2017).

4.2.1. SMES and Decent work

In 2014 the USAID assessment report found that there are over 61,000 SMEs in the agricultural sector alone. However, it is difficult to capture the total number of SMEs or vendors operating in Malawi; because most of them are mobile and trading informally. Indeed, SMEs as economic entities and employers operate in an environment which most studies have confirmed to be precarious in nature. Findings from 6 districts indicate that SMEs operating in public markets face numerous challenges which are or promote decent work deficits. Some of these challenges include but not limited to the following:

- **Lack of proper hygiene and sanitation facilities**

Over 80% of the respondents indicated that public markets lack proper hygiene and sanitation facilities. (For instance toilets, running water and refuse damping bins). Except for Mzuzu and Blantyre Markets they have proper dumping bins but collection of refuse to dumping site has always been a challenge. This has contributed towards making market places unsafe for business, especially for the selling of consumption items. Such markets environment expose consumers, sellers and other stakeholders to health hazards including cholera.
Kaonde market in area 36 in Lilongwe

Garbage dumped close to a market place
Multinational businesses like Shoprite, Game and Spurs indicates that cleanliness and hygiene is key towards attracting customers and consequently boosting sales. This is not the case for majority of the public markets as in some cases refuse is not regularly collected, toilets are unsafe to use (no running water in some districts). Today most traders in public market complain of low sales and place a
huge blame on the poor performance of the economy, while overlooking other contextual factors like lack of hygiene and poor service delivery.

- **Security decay**

Public markets are managed by the council and for instance, Section 6 of Lilongwe by laws demonstrates how the council controls and manages markets. In addition, a common understanding among study participants was that market security is the responsibility of the council. For instance, in Blantyre, Rumphi, Mpamba, and Ntcheu public markets operate with minimal security, which threatens the safety of their businesses. One respondent from Rumphi market stated that:

“There is no security at this places, am not sure what really happens but my business items get stolen most of the times to date, I have lost over Mk, 200,000.00 (273 USD) worth of items. When I explain, the council say its beyond their capacity and yet every day we pay market fees, which I thought some of the money was supposed to be for compensation in such circumstances”

It was also a common complaint by traders that most markets are becoming homes for the mentally disturbed people, a development which has affected business operations, not only in terms of security but also sales. In addition, the mentally disturbed persons are highly associated with violence. Indeed, it is common for the mentally disturbed persons to be found in most business places, and mostly market places have been used as homes after market operating hours. Experience from Blantyre main market and Mzuzu Matabwa markets is that mentally disturbed persons walk around the market places during the day hence scaring out customers and after business hours' business benches are used as beds. Indeed, the presence of the mentally disturbed persons has led to low sales in most markets. Traders believe that it is the duty of the councils to make sure that such issues are taken care of, for smooth business operations.

- **Political interference**

Political interference negatively affects market operations. It is common in most market places to have a political structure that represents the interest of its
members as well as that of their political party. Experience has shown that for every ruling government there is a corresponding market structure that represents the interest of that ruling government, but also in some districts there are market structures that represent the interest of the opposition party. Blantyre, Rumphi, Lilongwe and Liwonde markets are among the markets that are highly affected by politics.

These political structures influence how markets are operated for instance they decide where to build and not to build a market structure, when to pay and not pay market fees among others. These political structures within the markets mostly work against the smooth running of markets, as sometimes they go against by laws i.e. not paying market fees, sometimes initiates market strikes with the intention of saying the government of the day has failed.

A market master said:

“I don’t love my job anymore, these people (politically connected) they control the market and when you educate them of the by-laws they threaten you. And the painful fact is that every ruling party there is a group attached to it. For instance, since independence we have worked with three different politically connected market structures”

Market places are not political structures that should be used to advance certain political agendas but rather a place of economic activities for socio-economic development. Political interference indeed affects business operations because traders do not trade on a levelled ground which compromises the effort towards the creation of decent employment.

- **Sub-standard market structures**

Most of the markets in Malawi are regarded as temporal structures. For instance, Ntcheu, Matabwa, Matayifa, Rumphi and Mpamba market among others are known to be temporal markets for business operation. Some of these markets have existed in the same place for over decades for instance Matayifa market in Mzuzu. Most market structures are discouraging for instance Mpamba market has no council offices, shops or sheds, no proper toilets and latrines, in Rumphi no proper drainage system which makes rain water to overflow into shops, Matabwa market the structure is on bare ground no fence and the shades for selling food items do not have concrete floors.
Substandard market structures

The shops in most market places are poorly built for instance in Rumphi, Ntcheu and Matayifa, it was a common statement that the council prevents traders to erect their on shops since it plans to construct modern markets. In Lilongwe market some of the shops are too small for business growth. Most public markets do not have proper and adequate car park. Indeed, there is more to be done by the government and other stakeholders to promote SMEs in Malawi.

- **Expensive to operate in markets**

A common observation from all the markets was that despite paying market fee, in order to use water, toilets and bathrooms services one has to pay and even for a glass of drinking water. A common complaint in regards to costs associated with operating in markets was that irrespective of business sales it’s a must to pay market fee and in case one fails, the market authorities confiscate some of the items and if the arrears are not paid the items are sold to recover the accumulated amount. Some of the confiscated items were seen in Blantyre and Matayifa market.

In addition, it is a common understanding especially among councils that SMEs operating in markets sometimes pay double of what business operating in big shops like those owned by Indians. For instance, in Blantyre market, one of the traders who specialized in selling of used plastic and glass bottles, it was found that he pays three times higher the amount paid by big shops calculated per
annum. Indeed, it’s true that SMEs in Malawi operates under tough economic environment some created by public policies like council by-laws. Such systems do not promote but rather discourage business development and growth.

- **Illegal vending**

Illegal vending contributes to low sales for traders in markets. However, majority of traders in public markets complained that the councils do not do enough to control illegal vending. Walking in the streets of Lilongwe, Blantyre and Mzuzu illegal vending is very visible and currently most customers prefer to buy from the streets unlike in markets mainly due to convenience. In some parts of Malawi, street vendors are blamed for making the streets dirty and unhygienic, in addition to crime.

- **Ineffective social dialogue structures**

Social dialogue is an important tool, mostly used by partners or stakeholders to discuss and solve or resolve issues of common interests. However, majority of the respondents to this study believed that existing market committees do not have appropriate skills and knowledge to effective engage district and city councils. Some officials from the councils said, market committees sometimes attend consultation meetings without having enough and appropriate information which affects outcome of negotiations. Hence, it is common for market committees to misinterpret the by-laws hence presenting misinformed arguments during bipartite negotiations.

**4.2.2. The role of MUFIS in the informal**

MUFIS plays an important role in as far as SMEs and vendors are concerned. Some of the key roles include but not limited to the following:
• Organizing and recruitment of economic units/SMEs/workers
• Educating and training on various Labour issues including -social dialogue,
• Representation of SMEs/vendors/workers, for instance, developing memorandum of Understanding
• Advocacy and lobbying i.e. the implementation international labour standards including Recommendation 204.

4.3. Domestic Workers

According to ILO Convention 189, the term domestic work means work performed in or for a household or households, and the term domestic worker means any person engaged in domestic work within an employment relationship.

Domestic workers contribute so much to the general socio-economic development of the world. For instance, domestic workers allow men and women with family responsibilities to concentrate on paid employment. In Malawi for instance, domestic workers help families with domestic work like morning preparations for work and for school. Domestic workers also play a great role for caring ageing people, children and people with disability hence actively contributing to socio-economic development of Malawi.

Domestic work continues to be undervalued and mainly carried out by women and girls, many of whom are members of disadvantaged communities and particularly vulnerable and discriminated in respect to conditions of services and employment. The experience of domestic workers in most developing countries is similar and mostly associated with low pay and exploitation by family members.

4.3.1. Domestic workers and Decent work deficit

In Malawi domestic workers are among the lowest paid workers, considering that they work in homes which are regarded as private entity. This situation has limited domestic workers to access relevant labour information. The circumstance surrounding domestic workers make them more vulnerable in so many ways and below are some of the deficits associated with domestic work;

• Low salary
• No specific pay day
• Marked absent when sick
• No overtime
• No annual leave

• No employment contract
• No job description
• No employment termination notice
• Physical and psychological abuse  
• Social protection schemes  
• Excluded in some social protection scheme like “Workers Compensation Fund”

4.3.2. The role of CIAWU

• Organizing and recruitment  
• Education and training – Negotiation skills, Labour laws and rights, employer–employee responsibility  
• Representation, Collective Bargaining Agreements (CBA)  
• Advocacy and lobbying, i.e. Convention 189 and Recommendation 204, Sectoral Minimum wage

CHAPTER FIVE

5. Recommendations and Conclusion

This section will discuss steps to be considered by trade unions in order to organize and promote the rights of workers and economic units in the informal economy.

5.1. Organizing and recruitment

The informal economy is very broad. Each sector has specific characteristics that demand a specific approach in terms of organizing. The nature of the informal economy has been among the key challenges towards effective organizing and recruitment.

According to ILO ACTRAV Policy Brief, on organizing workers in the informal economy, it is important to start organizing informal workers by targeting a specific sector for instance in this case SMEs operating in public markets and domestic workers. It is therefore important for trade unions to undertake the following steps in order to achieve decent employment for both SMEs and domestic workers:

• Conducting a situation analysis- to understand issues surrounding that particular sector for instance, the needs, circumstances and characteristics.
- **Understanding the legal context** - relevant instruments and Acts that surrounding that specific sector i.e. R204, C 189 and other locally available instruments among others.
- **Developing and implement an action plan** - there is need to develop a set of activities to be implemented. However, in relation to what has been identified in the analysis.
- **Establish partnership** - For instance for SMEs and domestic workers, the unions (MUFIS and CIAWU) need to identify and link them to other relevant institutions like financial and training institutions.

### 5.2. Education and training

Informal workers are associated with low levels of knowledge especially on issues that affects them. For instance, 90% of the people that this study interacted with had no sufficient knowledge on labour laws and rights or any other instrument that they can use to protect and promote their wellbeing. In addition, they had little knowledge on social protection schemes. It is therefore an opportunity for trade unions to identify grey areas for both SMEs/Vendors and domestic workers. Such kind of trainings can then be used as organizing tools.

In this case trade unions are strategic organizations that can act as agent of change within the informal economy. Indeed, SMEs and domestic workers face challenges to access social protection and other services making them more vulnerable to poverty and exploitation.

### 5.3. Social dialogue

Social dialogue is an important tool that stakeholders (including Trade Unions, Government, Employers among others) can use to discuss and agree on areas of common interest. For instance, the above challenges faced by both SMEs and domestic workers can be addressed as long as stakeholders engage in a constructive social dialogue process.

Considering the weak capacity among stakeholders especially trade unions, it is important that trainings on how to conduct meaningful social dialogue. In 2017, MCTU with support from ILO developed a social dialogue model that guides social dialogue processes including bipartite and tripartite. It is important that such trainings on social dialogue give special reference to such documents.
5.4. Networking and Alliance building

It is a common understanding among social partners that informality is highly associated with precariousness and vulnerability. Indeed, to effectively addressed issues in the informal economy a multifaceted approach is required. Government, trade unions, informal economic units and workers, employers and the private sector need to collaborate to bring the needed change.

It is also important that informal economy workers are also linked to relevant training institutions which may strengthen their skills and knowledge for productivity.

5.4.1. Business training and development

Business planning and management is critical for the growth of SMEs. Majority of the SMEs/vendors in Malawi lack appropriate knowledge in regards to business development and management. It is therefore important that SMEs are trained on the following areas among others;

- Identification of business
- Business planning and management
- Budgeting
- Maintaining standards- quality service, hygiene, customer care
- Profit /loss calculations

It is also important that such trainings are also extended and customized for domestic workers, so that the employer and employee relationship is improved. For sustainability it is important to build the capacity of trade unions so that they are able to conduct business trainings for their members. Building the capacity of domestic workers and SMEs on Labour and business management is key for promoting decent employment and creation.

5.4.2. Financial institutions

SMEs greatest need is financial support hence linking them to appropriate financial institutions with soft conditions would help boost and create decent employment in the informal economy. It is therefore important that MCTU and MUFIS identify appropriate financial institutions which would engage informal economy workers and economic units not only for profit but also for business growth and development among others. For instance, flexible loans and
insurance policies for informal economy workers and economic units would be a best way not only to organize workers but also to protect them from various business risks.

5.5. Campaign and Advocacy

To promote decent employment in the informal economy it is important that gaps are exposed and addressed. In addition, campaign and advocacy need to be used to raise public awareness on the ills in the informal economy. If decent work is to be achieved. The legal flame work need to pay attention to the informal economy. It is also important to create a conducive business and work environment in order to allow informal workers to grow and develop. Below are some of the key issues that needs to be addressed through campaigns and advocacy;

- Occupation Health and Safety (OSH)- for both domestic and SMEs in public markers
- De-linking markets from politics - for SMEs in Public markets
- Need for permanent and affordable market structures
- Fight against Sexual harassment at the work place
- Organizing informal employers into associations- for domestic workers
- Extending social protection to informal workers- for both domestic workers and SMEs
- Revision of the market by laws – for SMEs
- Promotion of consultation and social dialogue – for both domestic workers and SMEs
- Inclusive legal framework- ratification and implementation of R204, C189 among others

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Extending social protection to workers and economic units in the informal economy would prevent many from entering the poverty trap in Malawi.

Goods worth millions of kwacha destroyed-Kasungu market