



Malawi Tea 2020

Revitalisation programme towards living wage

Wages Committee progress report 2016

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October 2016





This paper provides an update to October 2016 (date of the Malawi Tea 2020 Annual Progress Meeting) of: (i) a living wage for rural southern Malawi, (ii) tea sector prevailing wages, and (iii) alternative measures of wages and poverty for rural Malawi. The purpose of this paper and analysis is to provide an indication of how tea wages and alternative measures of wages and poverty compare to the living wage. This paper is also intended to provide an indication of gaps between the living wage and other wage and poverty measures – and so help to measure progress toward reaching the stated goal of the Malawi 2020 Tea programme of paying a living wage by 2020.

Purpose of report





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Chapter 1. Background on need to update living wage, tea wages, and other wage and poverty indicators

High inflation and need to take into consideration rapidly decreasing purchasing power of wages

Malawi has very high inflation (around 25% per year at present in rural areas). This means that it is necessary to continuously update a living wage and other wages and poverty indicators for inflation so that they retain their purchasing power. Otherwise, workers would not be able to support a basic but decent living standard for rural Malawi on a living wage estimated for an earlier date (January 2014). Unless the living wage is updated for inflation, it would lose its purchasing power and no longer be sufficient for decency. Other wage and poverty measures also need to be updated for inflation if they are to retain their meaning. For example, since the national poverty line was estimated based on prices and conditions in 2011, its 2011 value would be meaningless in 2016 unless inflation and the decreasing purchasing power of the kwacha were taken into account.

This paper updates our living wage as well as other wage and poverty indicators to October 2016, because this is the date of the Malawi Tea 2020 Annual Progress Meeting. The intention is to provide an indication of gaps to a living wage and progress toward closing gaps toward a living wage as of October 2016.



Changes in TAML wage and limitations of our ability to monitor the total change in wages at this point in time

Wages received by tea workers have changed over time. Table 1 indicates changes since 2014 in the TAML basic wage and minimum threshold after which over-kilo payments are made.

Date	Basic wage	Minimum number of kilos after which over kilo payments made	Payment per kilo over minimum threshold
January 1, 2014	560	44	12.73
August 1, 2015	660	44	15.00
September 1, 2016	850	50	17.00
March 1, 2016	950	50	19.00
August 1, 2016	1,178	53	22.23

Table 1. TAML basic wage and threshold for over-kilo payment from 2014 – 2016

In addition to changes in the basic wage and over-kilo payments, there have also been changes to in kind benefits (e.g. quality of lunch has improved since January 2014), and cost of most in kind benefits has increased because of inflation. This paper provides updated estimates of TAML wages to the best of our limited ability at the present time. We purposely say “to the best of our limited ability at the present time”, because we do not have at our disposal accurate up-to-date information on the value of in kind benefits, nor do we have up-to-date or accurate information on productivity bonuses such as over kilo payments. Determining more complete and accurate estimates of tea sector wages in future will be the task of the Wages Committee in future.

This paper updates TAML wages to October 2016, because this is the date of the Malawi Tea 2020 Annual Progress Meeting. The intention is to provide an indication of current prevailing tea wages and so the size of gaps to a living wage and degree of progress made toward closing gaps to a living wage as of October 2016.



Benchmark and when to begin estimation of progress towards payment of a living wage

The Malawi 2020 Tea programme MoU was finalised in August, 2015 and the project officially began on September 1, 2015. On August 1, 2015 there was an increase in the TAML basic wage from K560 to K660, and this increase was immediately followed by an increase in the basic wage on September 1, 2015 from K660 to K850. These increases came after a long period (19 months) without any increase in the TAML basic wage despite an extremely high inflation rate which eroded the purchasing power of the TAML wage.

Choice of the benchmark start date makes a big difference in the measurement of progress. For example, if the start date is August 1 or September 1, 2015, major increases in TAML wage would not be accounted for. In contrast, if the start date is July 1, 2015, large future wage increases in the TAML basic wage would not be seen in a proper context because these increases came after a long period of no change in TAML wages and a significant loss of purchasing power.

Therefore, we decided to measure the baseline benchmark start of the Malawi Tea 2020 programme as average of wages from January 2104 (living wage study month) to September 2015 (start of Malawi Tea 2020). We also provide graphics to illustrate and measure what has happened to tea sector wages over a longer period of time than only the 2014-2016 period – to illustrate both longer term trends and the progress since the beginning of Malawi Tea 2020.



Difficulties in measuring inflation in Malawi and consequences for monitoring process

Not only does Malawi have very high inflation rates, but month-to-month inflation rates vary tremendously with extremely high month to month inflation rates in some seasons and months and extremely high negative inflation rates in other seasons and months. This means that it is best to use seasonally adjusted inflation rates. Unfortunately, seasonally adjusted inflation rates are not reported by the Malawi Statistical Office. This makes the task of updating living wages to a particular month in the year misleading when the standard method of estimating inflation is used (i.e. $\text{CPI index in month } x / \text{CPI index in December of the previous year}$). For this reason, we decided to smooth out inflation rates over the year so that the effect of increasing prices to a particular month is smoothed out. We did this by basing inflation to a particular month during the year (such as October 2016) on the month-on-month annual inflation rate that effectively functions like a seasonally-adjusted inflation rate (see Annex A for a detailed description of how and why we do this).



Chapter 2. Updating our living wage to October 2016



Our living wage benchmark was estimated to be K35,222 per month (and K1,531 per workday) for January 2014. This is equivalent to K2,663 per workday and K61,244 per month in October 2016 given inflation in rural Malawi between end of January 2014 and October 2016 given the rural Malawi inflation rate according to the Malawi government. In this way, our living wage keeps its purchasing power – that is, remains the same in terms of the living standard it affords. We used the rural inflation rate for Malawi reported by the government (i.e. its rural CPI) to update our living wage for inflation. Readers are referred to the next section for discussion on a possible alternative approach to measuring inflation rates proposed by TAML and to Annex A for discussion of how we estimated inflation for 2016 to October in light of the unusual pattern of inflation in Malawi over the year.

Table 2 indicates the results. Our living wage increased by 74% in the past nearly three years, because prices in rural Malawi increased by approximately 74% in the past nearly three years. Thus, our living wage for October 2016 for rural Malawi is K2,663 per workday and K61,244 per month.

Date	Inflation between subsequent periods	Living wage per month adjusted for inflation (living wage in previous period times inflation in period)	Living wage per day adjusted for inflation (living wage in previous period times inflation in subsequent period) ^a
January 2014 (original study date)		35,222	1,531
December 2014	1.1125	39,184	1,704
December 2015	1.2908	50,579	2,199
October 2016 (Steering Committee meeting)	1.2109	61,244	2,663

Notes: Total amount of inflation between study month and October 2016 was approximately 74%.

^a Living wage per day assumes that there are 23 workdays per month on average (see our 2014 living wage report).

Sources: Malawi National Statistical Office for rural inflation rate. Anker and Anker (2014) for living wage for January 2014.

Table 2. Living wage updated for inflation to October 2016 so that it keeps the same purchasing power

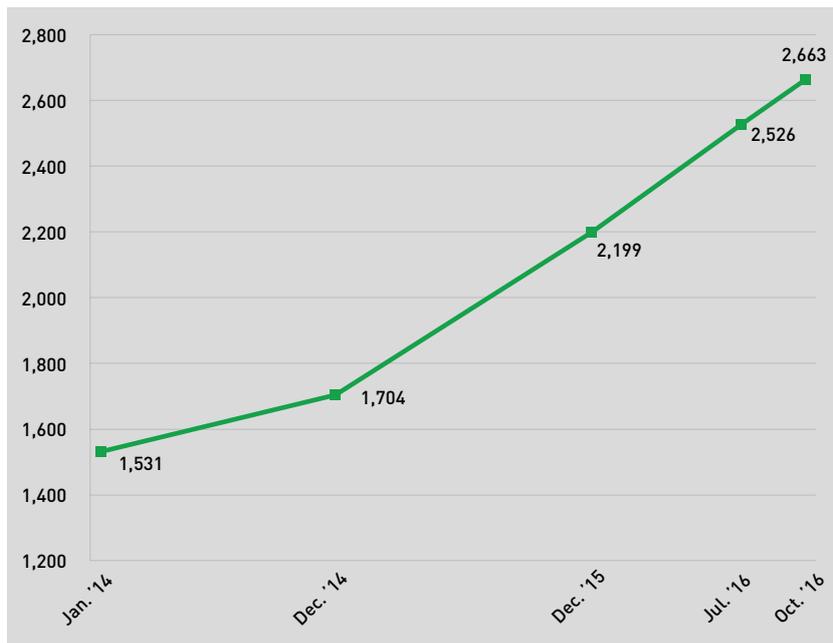


Figure 1. Rural Malawi daily living wage per workday adjusted for inflation so it keeps same purchasing power, January 2014 - October 2016 (based on 23 workdays per month)





Possible alternative way of measuring inflation and so our updated inflation-adjusted living wage

We updated our living wage for inflation by using the government's rural CPI to measure inflation. This has the advantage that it is widely known and it is an independent and respected source for inflation.

However, there is an alternative approach that could be used in place of the official rural CPI. It would be possible for the Wages Committee or another organisation to develop a local system to estimate an inflation rate that is specific to southern Malawi and Mulanje and Thyolo Districts where the Malawi tea industry is concentrated. This approach was suggested by TAML in correspondence with us about updating our living wage estimate. TAML felt that inflation in southern Malawi was higher than in other parts of rural Malawi because the influx of money into the area from tea estates and the 2020 programme has caused additional inflation. The TAML suggested approach has the important advantage that the inflation rate used to update the living wage would be specific to the tea growing area. There are two major disadvantages of this approach. First, it would require funding – although we do not think that this would be a very large amount. Second, it would not be as precise as the official rural CPI because of the Malawi Statistical Office has considerable funds and data collection experience. It is worth noting that we have used the suggested TAML approach in Vietnam for a multinational company for a number of years and it worked well. The problem with the approach was that while workers were happy with this approach when it showed a higher inflation rate (and so a bigger increase in wages was necessary than indicated by CPI), workers were not happy to accept results in years when CPI was higher. Despite these problems, TAML's suggestion deserves serious consideration in part because it would allow us to determine if one of TAML's (as well as other companies in the world) arguments against raising wages has merit or not – that increasing wages in a relatively small area causes higher inflation and so does not actually benefit workers in terms of increasing their purchasing power.

Gap between TAML basic wage and living wage

One of the main tasks of the Wages Committee is to measure progress made towards paying a living wage to tea estate workers. Due to limited availability of data on the full wage package, for the purposes of the current paper we use mainly the TAML basic wage as a proxy for tea sector wages (knowing full well that the TAML basic wage is less than the full pay package). We do, however, make a rough estimate of the full wage package to give an idea of this.

One way to see how far wages need to improve to reach a living wage is to use the ratio between the TAML basic wage and the living wage, and to monitor this ratio over time. This abstracts comparisons away from number of kwacha difference comparisons that become increasingly meaningless because of the high inflation in Malawi. This ratio is shown for 2014 – 2016 in figure 2 on page 12.

It is clear that this ratio fluctuates a bit wildly because inflation continuously reduces the value of the living wage every month while wages rise only periodically and all at once. Therefore, comparing the difference in this ratio between any two points in time can be problematic because this difference depends very much on how the starting point and ending point are selected. For example, the difference in the ratio between September 2015 (start of 2020 programme) and October 2016 (Annual Progress Meeting) is +.03 (.44-.41). In contrast, if the starting point is taken as January 2014 (time of the living wage study) and the end point remains October 2016, the difference in the ratios is .07 (.44-.37).

Such sensitivity in the measurement of progress in payment of a living wage makes it inadvisable to monitor wage improvements using point to point evaluations. Instead we used the period from January 2014 (when the living wage study was done) until September 2015 (start of the Malawi 2020 project) as a baseline. The TAML basic wage was 33% of the living wage on average during this baseline period compared to an average of 40% from September 2015 to October 2016, indicating a considerable increase in wages from the baseline period. We believe that this is a fairer baseline to use as it is a long enough period of time to smooth out month to month variations.

Chapter 3. Comparing the living wage to the TAML basic wage in current kwacha and in constant purchasing power kwacha





However, these results need to be treated with caution. If extremely high inflation rates in Malawi continue at the same pace, and no other changes are made to wages, then the purchasing power of the recent CBA wage increase will soon be eaten up by inflation. This means that inflation rates will need to be monitored in future in order to ensure that progress that has been made since the beginning of the 2020 programme is maintained. Unfortunately, the recent CBA agreement does not stipulate further change in wages until July 2018 which is a very long period with no change in wages in light of Malawi's very high inflation rate. Although the CBA allows for possible reconsideration of wages in July 2017, this is at the discretion of TAML. Since it is expected that the Wages Committee will monitor inflation and have a better understanding of the entire wage package before July 2017, it is hoped that this information and the effect of inflation on the purchasing power of wages will be taken into consideration before July 2017 and in July 2017 at the latest.

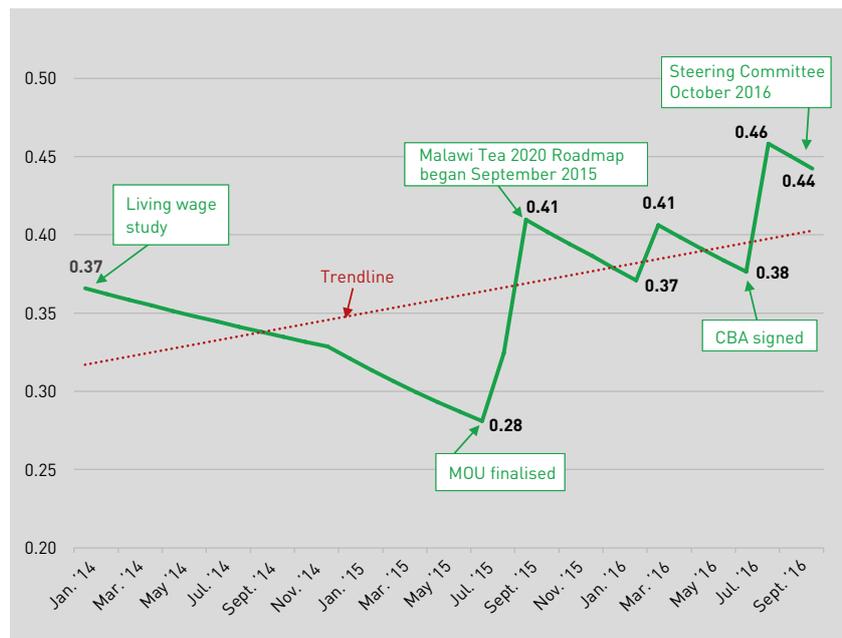


Figure 2: Ratio of TAML basic wage to living wage, January 2014-October 2016

Tea workers receive more than the TAML basic wage

Tea workers receive more than the TAML basic wage. Pluckers receive over kilo payments when they pluck more than 53 kilos in a day (see next section). Field workers receive productivity bonuses. Factory workers receive overtime pay. Although it is not known with much precision how important each of these forms of remuneration are, they might be equivalent to somewhere around 25% of the TAML basic wage based on the partial information on this that we collected in 2014¹. In addition, tea workers receive in kind benefits such as free lunch, health clinic, school building, and recreation. We estimated in 2014 that in kind benefits were worth around 19% of the TAML basic wage at that time (and although the quality of the free lunch has improved since 2014, the TAML basic wage has increased faster than inflation which means that the values of other in kind benefits have probably increased less quickly than the TAML basic wage). The fact that tea workers in Malawi receive more than the TAML basic wage (a rough estimate is around 50% more) needs to be kept in mind when measuring the gap between the living wage and tea sector prevailing wages. This must also be kept in mind when measuring how much the gap between the living wage and tea sector wages has narrowed in the past few years, especially because the value of these additional types of wage payments may have trended differently in the past few years than has the TAML basic wage. This is an area (additional wage payments and how they have changed over time) that needs fact finding in future by the Wages Committee.

¹ To accept some cash wage payments related to overtime and productivity bonuses as acceptable parts of prevailing wages for comparison to a living wage and so determine the gap to the living wage, it is necessary to violate one principle of the definition of a living wage - that a living wage must be earned in standard working hours and without overtime. Violating this part of the definition of a living wage, we feel is acceptable for tea production since overtime is a normal and an integral part of production especially in peak seasons – but it could use discussion.



Real wages for tea plucking need to be looked at carefully because of the importance of over kilo payments for pluckers and changes in the over-kilo threshold since 2014

One factor that affects the pay of many tea workers is that over kilo payment for tea pluckers has changed since January 2014. The minimum amount of raw tea needing to be plucked before over kilo payments are made increased from 44 kilos applicable from January 2014 to August 2015 to 50 kilos in September 2015 and to 53 kilos in August 2016. This means that wages for tea pluckers rose less than the wages of other tea workers since September 2015 unless productivity of plucking rose faster than the increase in the minimum amount required before over kilo payments are made. In January 2014, pluckers received additional pay when they plucked more than 44 kilos of tea in a day (pluckers received an additional $\frac{1}{44}$ of the TAML basic wage for every additional kilo plucked in a day beyond 44 kilos). In August 2016, pluckers received an additional $\frac{1}{53}$ of the TAML basic wage for every additional kilo of tea plucked in a day beyond 53 kilos. These changes in the minimum over kilo threshold reduced the pay of pluckers in two ways unless their productivity increased accordingly. First, pluckers in October 2016 no longer receive payment for up to 9 kilos of plucked tea when they pluck more than 44 kilos of tea in a day (i.e. difference between new 53 kilos threshold and former 44 kilos threshold); this could represent a difference of as much as around 20% of the TAML basic wage ($\frac{9}{44}$). Second, the per kilo rate for over kilo payment fell between January 2014 and August 2016 - from 2.3% ($\frac{1}{44}$) of the TAML basic wage for each additional kilo plucked to 1.9% ($\frac{1}{53}$) of The TAML basic wage for each additional kilo plucked. How important this reduction is for the pay of pluckers since 2014 depends on whether there has been a change in productivity in terms of number of kilos of tea plucked per day and how important over kilo payments are of the total pay of tea pluckers – but this could be quite important, as we estimated in our 2014 living wage report that over kilo payments for tea pluckers represented perhaps 25% of the TAML basic wage at the time.



TAML basic wage since 2004

Up to this point, this report has used January 2014 (time of our living wage study) as the starting point from which to show how tea sector wages have been doing relative to inflation/purchasing power and our living wage, and so what has been happening to the gap between Malawi tea industry wages and our living wage. This section broadens the time period back to 2004 to help provide a better historical perspective.

Figure 3 shows how the purchasing power of the TAML basic wage has changed since 2004. Values in figure 3 are expressed in purchasing power of the kwacha in January 2004. The purchasing power of the TAML basic wage increased when TAML raised its basic wage and the purchasing power of the TAML basic wage fell during periods before a new increase as inflation eroded the real value of the TAML basic wage. This explains the saw tooth pattern in figure 3. It consists of a repeating pattern of a sharp increase (because of a new TAML basic wage) on a specific date followed by a period when the TAML basic wage remained unchanged and its purchasing power was eaten way by inflation. Overall between 2004 and 2012, the purchasing power of the TAML basic wage remained more or less the same. Then, TAML raised its basic wage 5 times between May 2012 (time of devaluation of the kwacha) and January 2014 and as a result there was a large increase in real tea sector wages. This increase in the TAML basic wage is more apparent when seen in a longer historical perspective than when viewed for the January 2014 to

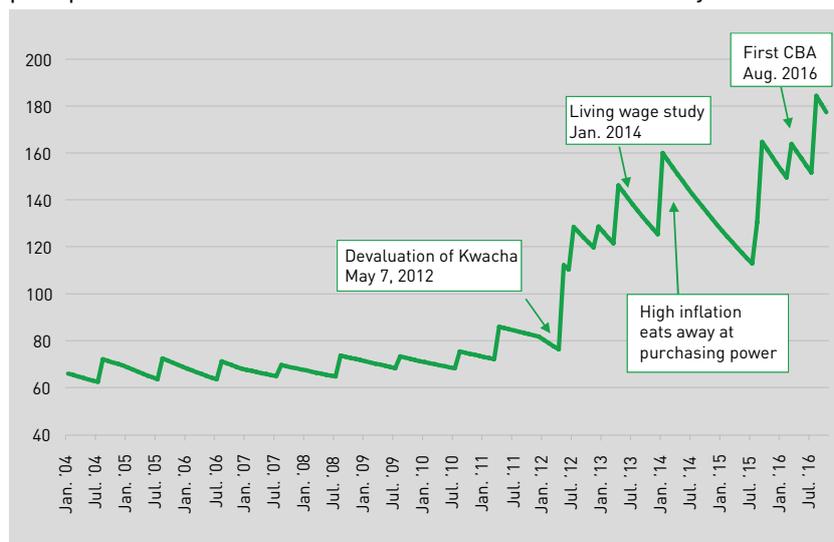


Figure 3. Purchasing power of TAML basic wage in real 2004 kwacha, January 2004 - October 2016

Chapter 4. Taking a longer, historical perspective on changes in tea wages in Malawi



TAML basic wage since 2004 in USD

Figure 4 displays the TAML basic wage when it is expressed in USD. This is an important metric for tea producers who are exporters selling to a world market. The TAML basic wage has increased over time fairly steadily since 2004 when we look at the trend line included in figure 4. At the same time, figure 4 shows that there have been very large fluctuations in the USD value of the TAML basic wage over time, especially after devaluation of the kwacha in 2012 and the advent of high inflation.

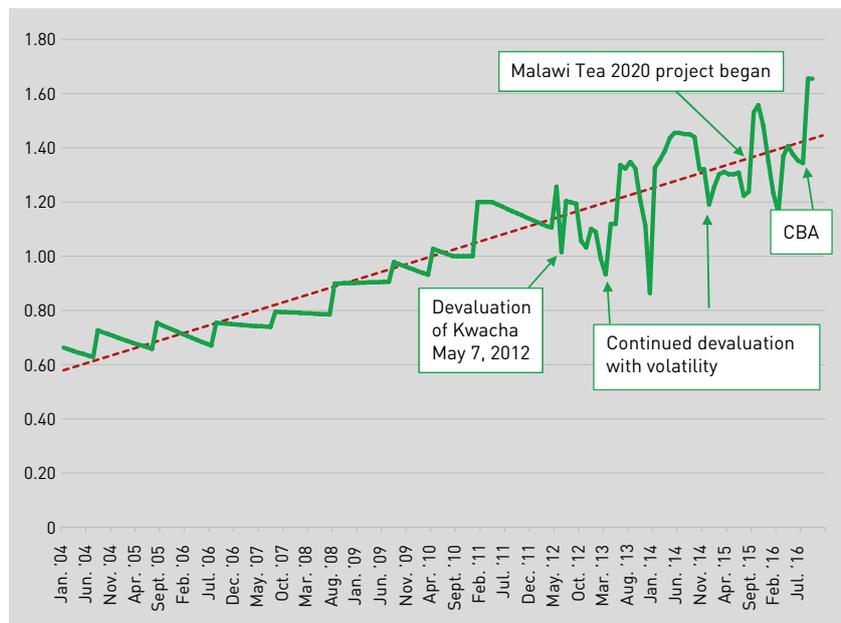


Figure 4. TAML basic wage expressed in US\$, January 1, 2004 - October 2016



Relationship between TAML basic wage and rural minimum wage since 2004

Figure 5 plots both the rural minimum wage and the TAML basic wage from 2004 to October 2106. It shows that until July 2015 the TAML basic wage and the rural minimum wage were closely linked – although the TAML basic wage did change more frequently and was generally slightly higher. This link between the TAML basic wage and the rural minimum wage was broken in July 2015. While the rural minimum wage increased somewhat in October 2015 and has remained at this level since then, the TAML basic wage increased four times since August 2015 and by much larger amounts than the rural minimum wage. The TAML basic wage is now K1,178 compared to K687.7 for the rural minimum wage. Figure 5 provides evidence that tea producers in Malawi have been making an effort to raise wages as part of the Malawi Tea 2020 programme. It is striking that one increase was done at the time of the signing of the MoU for the Malawi Tea 2020 revitalisation programme and a second increase was negotiated between TAML and PAWU in the first CBA for the Malawi tea industry which was required by the Malawi Tea 2020 programme.

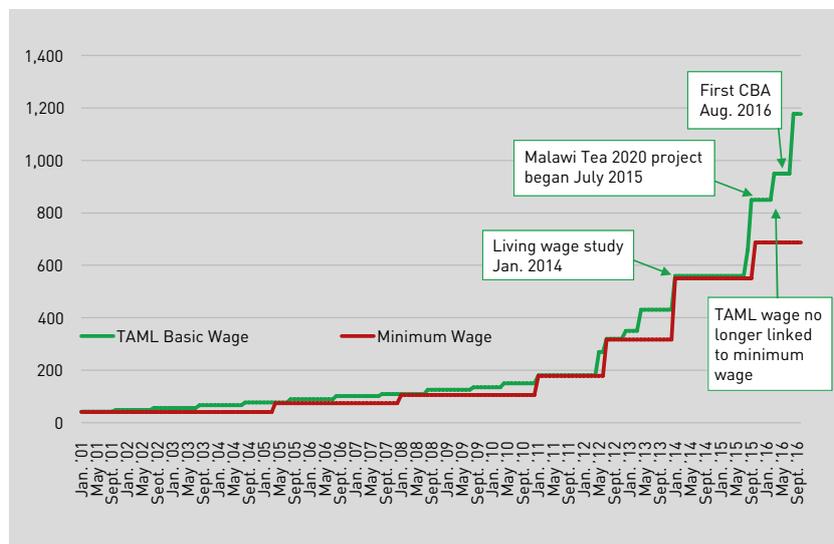


Figure 5. TAML base wage compared to rural minimum wage (including housing) January 2001 - October 2016

**Chapter 5.
Wage ladder and
comparisons of
living wage, TAML
wage, and other
wage and poverty
indicators**



October 2016 wage ladder

Figure 6 on page 19 provides a wage ladder for October 2016 where we compare our living wage, TAML wages, rural minimum wage, and poverty line wages.

Our living wage is much higher than the rural minimum wage (around 4 times higher), the national poverty line wage (around two times higher), and the World Bank \$1.80 a day extreme poverty line wage (around 65% higher). Our living wage, on the other hand, is much lower than the Center for Social Concern (CfSC) rural basic needs basket wage given that the CfSC basic needs basket wage is around 20% higher and it does not include many basic needs such as health care, clothing and footwear, housing except for utilities, transportation, recreation and culture, alcohol and tobacco, and furniture and appliances. Our living wage is slightly lower than the World Bank \$3.10 per day wage².

The gap (K1,485) between our living wage and the TAML basic wage (K1,178) is very large with our living wage more than twice the TAML basic wage. In reality, the gap between tea sector wages and our living wage is much smaller than this, because tea workers receive other forms of remuneration in addition to a basic daily wage. Pluckers receive over kilo payment when they pluck more than a minimum of 53 kilos in a day. Other tea workers receive overtime pay and/or bonuses. All tea workers receive various in kind benefits. If all of these were equal to 50% of the TAML basic wage as a best estimate at this point, then tea sector wages would represent around 2/3rds of a living wage. Valuing these other forms of remuneration in a fair and reasonable way will be the task of the Wages Committee in future.

² It is important to note that World Bank poverty line wages are quite imprecise because they are based on the purchasing power parity (PPP) of the kwacha compared to that in the United States (the comparator country) and this is very difficult to measure in part because this depends so much on which goods and services are used to make this comparison (e.g. autos are more expensive in Malawi whereas services are much less expensive). This difficulty is shown by the fact that the purchasing power parity of the Malawi kwacha changed only by around 6% in 2011 when the World Bank re-estimated its PPPs for all countries in the world, whereas PPPs changed by more than 50% for developing countries as a whole on average. As a result, the World Bank \$3.10 a day wage for Malawi went from being substantially lower than our living wage estimate in 2014 to being slightly greater than our living wage in 2016 - simply due to measurement issues with the World Bank PPPs and poverty lines.

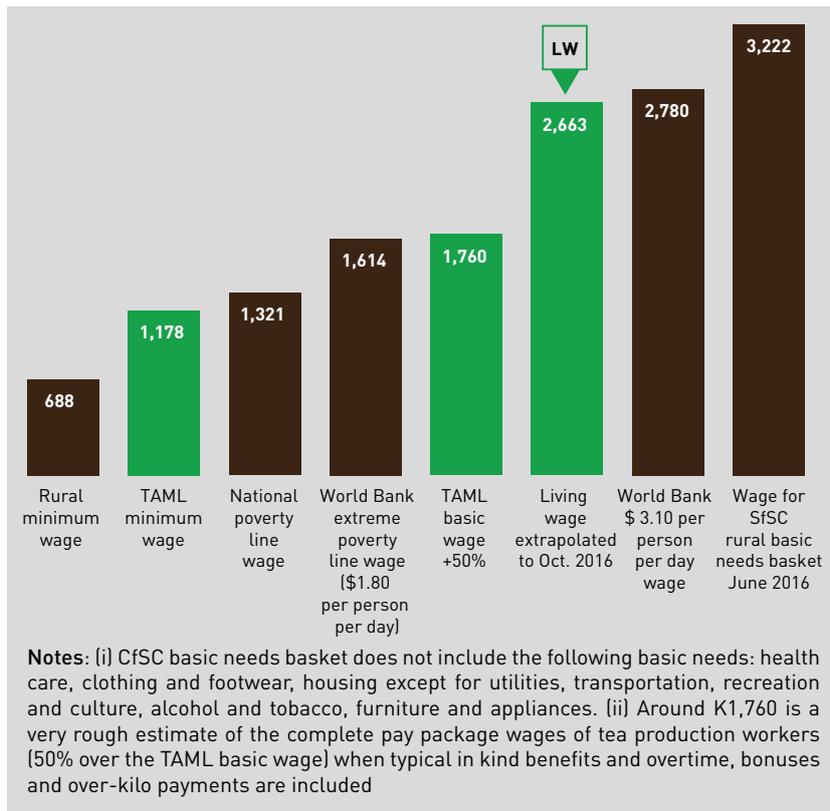


Figure 6: Wage ladder for rural Malawi tea industry, Oct 2016



Chapter 6. Very high inflation rate in Malawi and implications for TAML wage increases

Effective size of the recent large wage increase is much less than it appears as high inflation will erode purchasing power of wages.

The recent CBA increased TAML basic wage on August 1, 2016 by 24% to K1,178. The CBA says that this wage will be in effect for two years until July 2018. This wage could be reviewed and changed in July 2017 at TAML's discretion.

However, the very high inflation rate in rural Malawi of a round 24% per year will quickly erode the purchasing power of tea wages. Indeed, if inflation continues at this rate for the next year, the 24% August 2016 wage increase will be effectively eliminated by July 2017. This means that there will have been in essence a 12% wage increase on average between August 2016 and July 2017 in terms of purchasing power (24% increase in August 2016 and 0% increase in July 2017).

If the TAML basic wage remains unchanged until July 2018 as is possible according to the CBA, then workers will have effectively received no wage increase in terms of purchasing power over the August 2016 to July 2018 period (24% increase in August 2016 would have been counterbalanced by a 24% decrease by July 2018).



Until the recent wage increases in 2015 and 2016, tea production workers did not pay much income tax. Now, however, many tea workers are subject to income tax because the income needing to be earned before income tax applies has not changed since 2013 (despite very high inflation) when the threshold for paying income tax became K20,000 per month with a tax rate of 15% for income between K20,000 and K25,000 per month, and 30% for income above K25,000 per month.

Chapter 7. Deductions from pay

This means that workers earning only the TAML basic wage of K1,178 per day must pay income tax if they work 17 or more days per month. As a result unless the threshold for paying income tax is adjusted upward for inflation, tea production workers will have to pay increasing amounts of income tax when CBA negotiated wages are increased in future which will in turn make it more difficult for tea workers to earn a living wage.



Chapter 8. Conclusions



1. There has been progress towards closing the gap to a living wage in the Malawi tea industry (based on increases in the TAML basic wage). At the same time, there is a long way to go to achieve a living wage for tea workers.

There is an urgent need to increase wages more frequently than every two years as agreed in the recent CBA between PAWU and TAML (with possible one-year review at discretion of TAML) in order to maintain current improvements in wages. The high inflation rate in Malawi means that the real value (i.e. purchasing power) of wages deteriorates quickly. Waiting long periods of time before raising wages puts workers living standards at risk. Therefore, we suggest that the Malawi Tea 2020 programme strongly encourage TAML to:

- a. raise wages more frequently than one time per year to help protect living standards of workers, and
- b. definitely before July 2018 as required in the recent CBA.

2. A fuller understanding of the complete wage package in the tea industry in Malawi is needed so that progress can be measured more completely and the various pathways toward achieving the Malawi Tea 2020 programme can be more fully evaluated and realised. It will be the future work of the Wages Committee to provide a fuller picture of wages and to continue to monitor progress towards paying a living wage.

3. Close attention will need to be paid in future to deductions from pay which is likely to increasingly impact workers' take home pay and the value of the living wage for tea workers in Malawi.

Large month-to-month differences in inflation rates in rural Malawi creates difficulty with using the standard approach to measuring inflation for a particular month during the year. It is therefore advisable to use an alternative approach to estimating inflation to a particular month (e.g. July or October) during the year

This annex provides a technical discussion of how we estimated inflation to October 2016. This Annex does not need to be read unless one is interested in this type of technical issue and discussion.

Figure 7 graphs month-to-month inflation rates for 2007-2014 for rural Malawi using rural CPI data from the Malawi National Statistical Office (NSO). Each point represents the percentage change in inflation between two months - for example, inflation from January to February, February to March, March to April, and so on. Figure 7 indicates that inflation in Malawi follows a highly seasonal pattern with the same pattern occurring every year. Prices fell sharply every March to August and rose sharply every September to January in each of the past eight years. For example, the annual rural inflation rate averaged +59.2% based on data for September to February compared to an average annual rural inflation rate of -28.1% based on data for March to August.

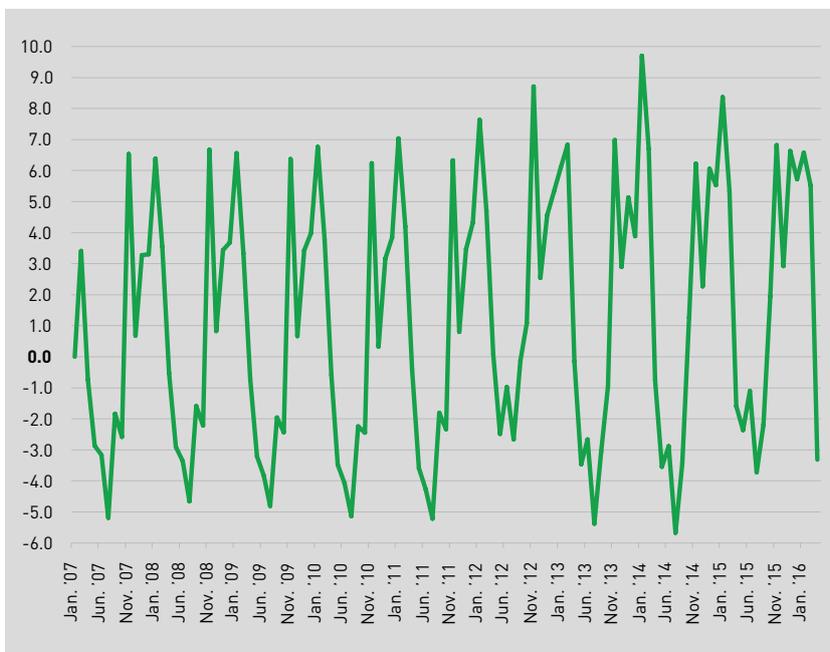
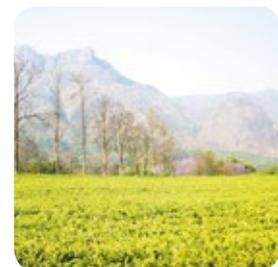


Figure 7. Month to month inflation rates, 2007-2015

Annex A.



This means that the standard approach to measuring inflation (dividing CPI index for final month of interest by CPI index for original month of interest) is misleading for periods of less than one year. For example, the standard approach would indicate deflation to March to July. A way of dealing with this situation “is to change the focus from short-term month-to-month price indices and instead focus on making year-over-year price comparisons for each month of the year” (ILO, IMF, OECD, EUORSTAT, World Bank, Consumer Price Manual, 2004, p. 396), since these “can be viewed as a seasonally adjusted annual consumer price index” (ILO IMF, OECD, EUORSTAT, World Bank, Consumer Price Manual, 2004, p. 403). For this reason, we use the year-over-year inflation rate for the latest month for which a rural CPI index is reported by the Malawi Statistical Office as indicative of inflation in 2016 until October 2016. Therefore, we used 10/12 (for January to October period) of the year-over-year (i.e. annual) inflation rate reported for June 2016. It is worth noting that our approach indicated a living wage of K61,244 per month (2,663 per workday) for October 2016 whereas a living wage of K55,587 per month (K2,417 per day) would have been estimated for October 2016 if we had used the standard approach. It is also worth noting that both the standard approach and our approach would indicate the same living wage for December 2016, because the standard approach would increase the living wage by a lot for November and December since inflation is very high in these months whereas our approach would use an approximately 2% inflation rate for each of these months.







REVITALISATION PROGRAMME TOWARDS LIVING WAGE

Malawi Tea 2020 Revitalisation programme towards living wage

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